FINANCIAL TIMES

World Business Newspaper

MONDAY AUGUST 5 1996

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USAir in court move to break links with BA

The US courts are to be asked to break the three-year-old link between American airline USAir and British Airways. The move comes as part of the antitrust lawsuit filed by USAir against BA over the UK carrier's plans to form a global alliance with American Airlines. USAir has asked the court to order BA to sell its 24.6 per cent share in USAir and withdraw its two nominee directors. Page 15

Rank to seek £300m from disposals: Rank Organisation, the diversified UK leisure group, plans a disposal programme to raise up to £300m ($468m) as part of a radical restructuring by chief executive Andrew Teare. Page 15; Lex, Page 14

China poised for mobile phones lead: China Telecom, the country's state telecommunications monopoly, is poised to become the world's largest mobile phone operator, the official China Daily newspaper says. Page 14; New German telecoms law, Page 2

Brussels attacked over VW refusal: The European Commission had no right to intervene in the decision by the Saxony government to grant carmaker Volkswagen DM241m ($164m) of subsidies that Brussels had blocked last month, the east German state's premier said. Page 2

Retailers cautious on overseas growth: UK retailers have become "distinctly more cautious" about overseas expansion and risk losing out to European and US competitors, a survey shows. Page 5

Judicial overhaul for Italy: Italy's centre-left government approved an overhaul of the country's judicial system. Page 2

UK opposition spurns social chapter: The UK opposition Labour party is reducing its commitment to introduce the EU social chapter on working conditions if it enters government. Page 14

Salvesen looks at better Hays offer: Distribution group Christian Salvesen, which rejected a £1bn ($1.56bn) takeover approach from Hays, is expected to consider an improved offer from its UK rival. Page 15

National Power team in Australian deal: A consortium led by UK generator National Power won the privatisation auction for an Australian power station with a A$2.35bn ($1.8bn) bid. Page 15

Kleinwort faces revolt from UK trust: Independent directors of Kepit, the £500m ($780m) privatisation investment trust at the centre of a takeover battle, are mounting a revolt against its manager, Kleinwort Benson Investment Management. Page 15; Fund management, Page 15

Japanese grouping in copper project: A Japanese consortium has bought 12 per cent of the $1.76bn Collahuasi project in Chile, which is destined to become one of the world's biggest copper producers. Page 4

Hong Kong growth forecasts cut: Weakening export growth and fragile consumer sentiment have prompted private sector economists to cut their forecasts for growth in Hong Kong. Page 3

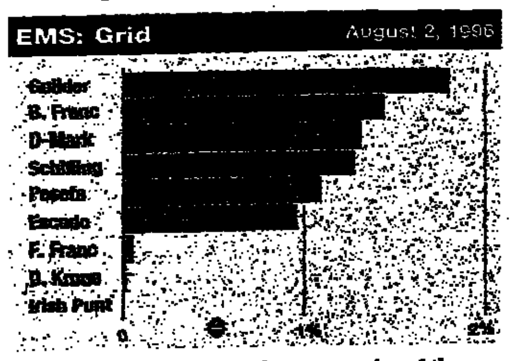
Manila plans to privatise airports: The Philippine government will this week announce plans to privatise most of the country's provincial airports. Page 3

Japanese town rejects nuclear reactor: Residents of Maki, a town of 30,000 people in northern Japan, voted against construction of a reactor in the country's first referendum over a nuclear project. Page 3

Row over Oxford plan: Oxford University faces mounting opposition to its plans to build a business school after a £20m ($31m) donation by Saudi Arabian entrepreneur Wafic Saïd. Page 5

European Monetary System: In a week when currency market attention was focused mostly on the dollar, there was little change to the spread of currencies in the EMS grid. The order changed, with the peseta falling below the D-Mark and the schilling, amid worries about the state of public finances. The Irish punt slipped two places to the bottom of the grid, due to sterling weakness. Currencies, Page 21

EMS: Grid — August 2, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

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Croats under pressure over Mostar

EU to pull out unless Moslem poll win is recognised

By Laura Silber in Belgrade

The European Union will decide today whether to pull out of the divided Bosnian town of Mostar. Mediators last night held out hope for an 11th-hour compromise after separatist Croats put forward a new proposal in the dispute over their refusal to recognise the new city council.

The move came as international pressure intensified on the extremist Croats and President Franjo Tudjman of Croatia to abandon their boycott of the city council. The boycott has been in place since the Moslems won Mostar's first post-civil war elections on June 30.

Officials said the EU would withdraw from Mostar if the Croats had not by midnight last night respected the election results which gave the Moslems a 21-16 majority.

Mr Carl Bildt, the United Nations envoy in charge of implementing the civilian side of the peace accord, called for more pressure on Zagreb and warned that failure to resolve the stand-off "is likely to affect the overall relationship between Croatia and the outside world".

Mr Michael Portillo, the UK defence secretary, also called for more pressure on the Croats and Serbs and warned: "Sanctions is certainly one of the weapons which the international community must have in its locker."

Mr Klaus Kinkel, the German foreign minister, said he had spoken to Mr Mate Granic, his Croatian counterpart, who was in talks with Croat leaders in the divided Bosnian city. "It would be a devastating development if the European Union had to pull out of Mostar because the Croat side failed to honour its obligations to the Dayton peace accord," Mr Kinkel said.

Sir Martin Garrod, the special envoy for the EU, which has administered Mostar for two years, yesterday made clear that the EU was prepared to pull out as a result of the Croats' intransigence. "We will leave behind a rear party to pay the bills and switch off the lights," he said.

Last night, Mr Dragan Gasic, the EU spokesman in Mostar, said the Croats had put forward "a new proposal which differs from the previous one, but could [aid] a solution". He refused to give details.

"We have a few hours more before the presidency will make a decision. It is now up to the Bosniaks [Moslems] to decide. We are not negotiating, only mediating to help them find a solution," said Mr Gasic.

Diplomats fear an EU pull-

Continued on Page 14

Paris to name insider as head of Aérospatiale

By Andrew Jack in Paris and Bernard Gray in London

Mr Yves Michot, the deputy head of Aérospatiale, is to step up to lead the loss-making state-controlled aerospace and defence group, the French government said yesterday.

Mr Michot, a career aviation specialist, becomes a director of the group, paving the way for nomination to the chairmanship by the board and the French cabinet on Wednesday.

The move breaks with the normal French government practice of bringing in outsiders to run state-controlled groups rather than promoting from within. Mr Michot, by contrast, is a veteran of the 1960s Concorde supersonic airliner programme.

He takes over from Mr Louis Gallois, who was moved on July 23 to take control of SNCF, the French national railway company. SNCF's previous head, Mr Loïk le Floch-Prigent, was forced to resign because he was remanded in prison pending inquiries into corruption allegations over his time as head of Elf Aquitaine, the state-controlled oil group.

Mr Michot's appointment should help smooth the proposed merger between Aérospatiale and Dassault, France's military aircraft maker. The proposed merger was announced by President Jacques Chirac this year as part of a controversial shake-up of France's defence industry.

However, negotiations between Mr Gallois and Mr Serge Dassault have made slow progress, apparently because of tensions between the two men. Mr Michot, by contrast, has worked with Dassault before, notably on the Mirage 2000 attack fighter, and is thought to be liked by Dassault's management, which has until now fiercely guarded its independence.

Aérospatiale also faces a shake-up of its civil aircraft operations. Airbus, the European passenger jet aircraft consortium in which Aérospatiale has a 38 per cent stake, is likely to be converted to a formal company and floated on European stock markets within two years.

Airbus is also seeking funding for a 600 seat "super-jumbo" airliner, which could cost more than $10bn to develop.

Aérospatiale had until recently opposed the incorporation of Airbus, and moving to full private sector status is likely to cause heavy redundancies at Airbus's Toulouse headquarters. It was not clear, however, whether Mr Michot would back the Toulouse management's call for no change in the status of Airbus, or whether he would press ahead with a flotation.

Aérospatiale itself is likely to be floated once the merger with Dassault is completed, though it is likely to need an injection of capital from the French government to rebuild its balance sheet after heavy losses in recent years.

The company also faces difficulties elsewhere. Eurocopter, its helicopter venture with Daimler-Benz Aerospace, faces cuts in orders from France and Germany, and the missiles and space divisions recently saw the embarrassing failure of the first Ariane 5 launch.

First gold won by black South African

Josia Thugwane became the first black South African to take gold in the Olympics yesterday when he won the marathon on the last day of the games in Atlanta. South Korean Bong-Ju Lee was second, just 3 secs behind.
Olympics, Page 4 Picture: AP

Tehran complains to UN about US threats

By Patti Waldmeir in Washington and our Foreign Staff

Iran complained yesterday to the United Nations about the "alarming and threatening" dimensions of statements made by Mr William Perry, the US defence secretary, and Mr Newt Gingrich, the Speaker of the House of Representatives.

Denying US charges of Iranian support or involvement in terrorist activities, Tehran said it was the victim of "state terrorism" by the US.

Iran's move followed weekend comments by Mr Perry that Washington would take strong action against any country proved to be involved in the June truck bombing that killed 19 US airmen in Saudi Arabia.

Mr Ali Akbar Velayati, the Iranian foreign minister, urged Mr Boutros Boutros-Ghali, the UN secretary-general, to prevent the dangerous consequences that such acts could entail for world peace and stability.

Mr Perry also said he had ordered 700 military dependents and children to leave Saudi Arabia because he feared a further wave of terrorism. US troops in the

Continued on Page 14

Dole tries to make up lost ground with tax-cuts plan

By Patti Waldmeir in Washington

Mr Bob Dole, the Republican presidential contender who is behind in the polls and spurned even by some in his own party, is trying to make up ground by adding an attractive running mate to his ticket and by unveiling an ambitious tax-cutting economic plan.

With the Republican party convention due to begin next Monday, Mr Dole's advisers say their candidate is entering the most important period of his campaign, one in which they hope he will overcome President Bill Clinton's double-digit lead in the opinion polls.

In Chicago later today Mr Dole will unveil his plan for significant tax cuts, designed to put the Democratic party on the defensive. Last-minute changes are still possible, but Republican sources were last night expecting Mr Dole to propose the repeal of President Clinton's 1993 tax increases.

Reversing the tax changes would bring the top marginal rate of income tax down to 31 per cent from 39.6 per cent.

Mr Donald Rumsfeld, who helped write the plan, said "every taxpayer in the country" would benefit from a "pro-growth" package, which is also expected to include cuts in capital gains taxes and making social security payments tax-deductible.

Days after announcing the plan, Mr Dole is expected to reveal the decision which he has long said is the most important of his campaign: the name of his vice-presidential running mate.

Campaign officials say he will do this on Saturday, in his home town of Russell, Kansas.

Leading contenders for the vice-presidential slot are Mr Carroll Campbell, the former governor of South Carolina; Senator John McCain of Arizona, the Vietnam war veteran; Senator Connie Mack of Florida; and the conservative Governor of Michigan, Mr John Engler. Weekend newspaper reports said a surprise candidate was still a possibility.

In his economic package, Senator Trent Lott, Senate majority leader, yesterday said he expected that Mr Dole would propose reversing most, if not all, the Clinton tax increases.

Mr Dole hopes the proposed tax cuts will capture the imagination of middle-class voters who feel they have lost out in the current economic recovery, without arousing their fears of a ballooning federal budget deficit.

Mr Dole will be going against the trend of recent opinion polls which show that even his own supporters prefer deficit reduction to tax cuts by a margin of two to one.

He will face the charge that he has abandoned the most closely-held principle of his political career – deficit reduction – unless he can credibly explain how new tax cuts will be financed without jeopardising budget balance.

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 16.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft250	Morocco	MDh18	Slovak Rp	Sk85
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L4200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zł5.50	Tunisia	Din1.750
France	FFr11.50	Kuwait	Fils650	Portugal (m'land)	Es240	Turkey	L80,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

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Brussels stance on VW grant attacked

By Judy Dempsey in Bonn

The European Commission had no right to intervene in the decision by the Saxony government to grant Volkswagen, the car manufacturers, DM241m ($164m) of subsidies that Brussels had blocked last month, according to Mr Kurt Biedenkopf, premier of the east German state.

His remarks, published today in Der Spiegel, the weekly news magazine, signals a determination by the Saxony government to stand by its plans to grant Volkswagen the subsidies, even if it means following through its threat to bring the Commission to the European Court of Justice.

His remarks follow an ultimatum last Friday by the Commission that Saxony had until August 10 to comply with its earlier ruling which found the outstanding DM241m due to Volkswagen was not in line with conditions set by Brussels.

But in a sharp attack on the European Commission, Mr Biedenkopf accused the Commission of "making politics" that had nothing to do with its main role, suggesting Saxony and Brussels were set on a collision course.

The hardline stance by Mr Biedenkopf, a senior member of Chancellor Helmut Kohl's ruling Christian Democratic Union (CDU), has placed the German government in an embarrassing position.

Bonn, Saxony and Volkswagen had lobbied long and hard in Brussels to have a total subsidy of DM740m accepted by the Commission.

The German government last week said Saxony's defiance of Brussels amounted to breaking EU law, but it has exerted little pressure on Mr Biedenkopf to change his mind.

Rather than risk a confrontation with Brussels, Mr Friedhelm Ost, CDU head of the economics committee of the Bundestag, the parliamentary lower house, yesterday told German Radio that the Commission and Saxony would have to find some form of compromise which would take into account the economic conditions in eastern Germany.

Under special subsidy arrangements for eastern Germany, agreed between Brussels and the German government soon after unification in 1990, investors moving into the five eastern states would be eligible for special grants to compensate for the poor infrastructure and inadequate labour skills.

Volkswagen, which had been asked to invest in modernising or developing new car plants at Mosel and Chemnitz in Saxony, agreed to invest DM3.5bn on condition of obtaining DM740m of publicly financed subsidies. By this year, it had invested DM2.5bn and had received DM539m.

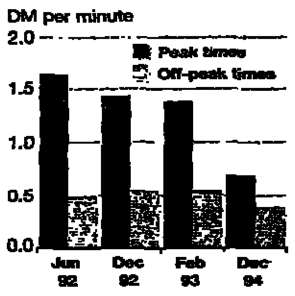
The nub of the issue between Saxony and Brussels is that after its initial decision to invest, Volkswagen scaled down its investments – and similarly Brussels revised the subsidies downwards. But Volkswagen later reverted to its original investment decision and reapplied for the original grants.

Expectations mixed on new telecoms law

Germany's new telecoms law has been hailed as one of the most important to pass through parliament this session, largely because of expectations that it will cut industry costs and spur competition in Germany's telecoms market, Europe's largest, which is expected to have turnover of over DM100bn ($68bn) by 2000.

But executives at many of Germany's biggest companies are left wondering whether the details will actually permit the competition which the law envisaged.

German mobile phone prices since liberalisation



Source: Mannesmann Mobilfunk

The law itself sets ambitious goals: anyone fulfilling basic criteria may apply for a telecoms licence anywhere in Germany.

Mr Wolfgang Bötsch, telecoms minister, hopes that will encourage all sorts of companies, especially smaller ones, to have a go at Deutsche Telekom, the monopoly which still has a 95 per cent share of the market for telecoms services.

Certainly executives at many of Germany's biggest companies, such as Mannesmann, Veba and Thyssen – all eager to get away from cyclical businesses such as steel and engineering and into telecoms – are delighted the telecoms law has finally been passed – and on time.

They are also pleased Mr Bötsch saw off a challenge from Germany's 16 *Länder* or states. They traditionally have a say on questions such as media regulation but, despite their best efforts, will not have any substantial influence over the new regulatory authority which is to oversee competition on the telecoms market.

Länder hopes that Germany would be divided up into 15 or so regional licences were also scotched. The regional licences would have covered a mix of urban and rural areas, guaranteeing, so the states said, that less lucrative rural regions would also get state-of-the-art telecoms services.

Instead Mr Bötsch ensured new operators could nominate any region – northern Berlin, for instance – and offer telecoms services in it. That offers more flexibility for new operators and is supposed to ensure that Deutsche Telekom's monopoly will be challenged more aggressively.

How much prices will fall once there is competition also remains unclear. The telecoms ministry proudly points to mobile phone prices which have fallen considerably since the service was liberalised in 1992. Much, as Mr Gerd Eickers, a leading executive at Thyssen Telecom, points out, will also depend on the new regulator who will oversee the telecoms market.

"The law is in many cases not specific enough and much will be left to the discretion of the regulatory authority," Mr Eickers said. "The question is: will the future regulator be aggressive enough against Deutsche Telekom?"

Mr Eickers and others are also worried that the regulator will not be named quickly enough to be able to prepare himself for a full liberalisation of the telecoms market on January 1, 1998.

Once he has been named, the president of the new regulatory authority will have to find staff qualified to do the job at a time when many of the civil servants at the telecoms ministry may well be lured away by more lucrative private sector jobs.

Officials in Bonn also admit that the president's salary, equivalent to that of a senior civil servant, may not be attractive enough to attract the sort of executive needed for the job.

Executives at the fledgling operators are also worried that the regulator will be a politician rather than an executive with a strong management record able to push through tough decisions.

"Several telecoms services such as data transmission have been liberalised in recent years in Germany but politicians have, for one reason or another, found themselves unable to breathe real competition into these markets," another industry executive said.

As Germany now edges towards full-scale liberalisation of the telecoms market there are worries, however, that some new entrants may bring bad habits with them. Professor Wernhard Möschel, a member of Germany's Monopolies Commission, notes that most of the companies vying to get into telecoms are electricity utilities such as RWE, Veba and Viag.

They enjoy lucrative regional electricity monopolies and are likely, Prof Möschel says, to transfer their "monopoly mentality" to the telecoms market.

"If other investors see that their competitors have a virtual licence to print money from their monopoly profits [from their electricity activities] they will shy away and the number of operators will necessarily remain small," Prof Möschel says.

"Sooner or later Deutsche Telekom and its new competitors will then divide the market up among each other – to the disadvantage of the users."

Meanwhile, Deutsche Telekom hopes it can use the 18 months remaining before full liberalisation to learn the marketing skills with which it hopes will enable it to hang on to 70 per cent of the telecoms business in Germany.

"After all," says Mr Jürgen Kindervater, Deutsche Telekom's spokesman, "because of their own monopolies the electricity utilities are hardly marketing wizards. When they wanted to raise prices they simply put an extra couple of pfennigs on the electricity bill and that was it."

Michael Lindemann

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Rome plans judicial overhaul

By Robert Graham in Rome

Italy's centre-left government has approved a major overhaul of the country's creaking judicial system.

The measures were drawn up by Mr Giovanni Maria Flick, a prominent lawyer and jurist drafted into the centre-left government as justice minister, and were agreed after a cabinet meeting late on Friday.

Framed in seven draft laws, they range from changes in the entry system into the judicial profession and redefining the role of judges to cutting the backlog of civil cases and a new geographical redistribution of courts.

Much attention has been focused on finding means to speed the initial stages of the judicial process and make more efficient use of existing resources.

The main reform in the courts of first instance is to remove the distinction between judges who preside over minor civil and criminal cases (the *pretori*) and those dealing with more serious offences. Also, instead of having a panel of judges sitting on the same bench, except for very specific serious offences, judges will preside alone in courts of first instance.

This is to be accompanied by a countrywide reorganisation of the 164 county courts, *tribunali*, to reflect the real workload since the existing courts system was based on political and demographic considerations at the beginning of the century. The *tribunali* will be located in each of the 100 provincial capitals with satellite tribunals in big cities and areas of high crime. Overall some 40 tribunals will disappear.

Another approach to preventing courts being overloaded with minor cases will be expansion of the use of justices of the peace *(Giudici di Pace)*. The justices' sentencing powers, limited to non-custodial areas, will be extended to allow more discretion on fines for minor crimes.

To tackle the backlog of some 2m civil cases, panels will be set up formed of retired members of the judiciary, retired lawyers and academics.

The panels will have wide-ranging powers to take rapid decisions. At the same time lawyers and jurists will be recruited in limited numbers on to the panels of the appeals courts to give more impartiality and assist in complex cases.

The cabinet also approved new rules to tighten professional standards and avoid conflicts of interest. Both these elements have contributed to high levels of corruption that have permeated the judicial system. One of the most controversial measures has been to ban the judges from accepting lucrative jobs on arbitration tribunals.

Dutch government declares war on 'hairnet army' image

Gordon Cramb contemplates shift to a professional military

The "hairnet army" is no more. Two Dutch servicemen on manoeuvres in Italy were sent home late last month because their locks were unacceptably long, signalling the end of Europe's most indulgent military machine.

The Netherlands' forces acquired the nickname in the 1970s when the nets were issued to conscripts resisting officers' wishes that they be shorn.

The tougher regime accompanies the completion of a shift to a professional military, nearly halved from its previous size.

The last conscripts will be discharged this month, save for 200 marines who are to remain until November and will be paid as professionals.

From a total forces strength of 128,000 by the time the Berlin Wall came down, only 85,000 (including some 19,500 civilian support staff) remain, and that number is due to decline to 77,000 by the end of the decade.

Units have been dissolved or reorganised, and the speed of the changes, under the three party left-liberal coalition which took office two years ago, brought dismay in senior ranks.

Lieutenant General Hans Couzy marked his retirement last month as commander of the army by publishing a book lambasting his political masters. It emerged that he had not spoken to Mr Michiel Patijn, the defence ministry's top civil servant, in more than a year.

Gen Couzy, who is described by one retired colonel as frustrated and a bad communicator but good at his job, implemented the shake-out under protest. He compared the army to a business with himself as manager, saying his role was to limit risk while being willing to take expensive or unpopular decisions.

He gleaned advice from private sector companies such as Akzo Nobel, the chemicals producer, which had itself been through a big reorganisation.

And if the army was a business, its product was in demand. A Dutch battalion played a prominent role in the peacekeeping operation for former Yugoslavia. But charged with the defence of the Moslem enclave of Srebrenica, it was unable to prevent its fall to the Bosnian Serbs a year ago with the loss of several thousand Moslem lives.

Unique in the world: the Dutch army's Bicycle Band practise at their headquarters. The latest moves signal the end of Europe's most indulgent military machine *Ray Roberts*

Asked by a Dutch interviewer why this test case for the reformed land forces had ended in disaster, the general maintained that he and his men were not to blame.

Control of the United Nations operation was in international political hands and he felt powerless.

Mr Joris Voorhoeve, defence minister, acknowledged there had been misjudgments and poor communication.

Now the country's military command is seeking to reassert authority over its own domain. Unusually for a defence force, it has to contend with trade unions which represent the interests of service personnel, bargaining with "management" over pay and conditions such as housing and time off.

The two unions which represented conscripts are being wound down but several others remain to defend the rights of professional soldiers, sailors, airmen and marines. Without the assured labour supply which conscription provided, their bargaining power may grow.

Under the new regime, recruits can sign up for as short a time as two years. While this means salaries have to remain competitive, those enlisting are on the whole less well educated than the conscripts, who often arrived after university.

The Dutch military itself is, more than most, known as an *education factory*, freely providing skills – from basics such as a driving licence to language or medical training – which servicemen can use in later life.

Among the most difficult aspects of the changeover has been adapting the forces' education system to the level of the new intake, says Mr Otte Beeksma, defence ministry spokesman for personnel issues. "We will give them time to study."

One aim is to keep the ranks occupied and interested, rather than seeking an escape from boredom through other means than watching their hair grow. Five professional soldiers were jailed last month for selling or using the drug ecstasy at their base in Germany.

The case was seized on by Dutch rightwing politicians as evidence of a *laisser faire* attitude among the defence leadership.

But for a government anxious to assure European partners that its toleration of cannabis use at home does not extend either to other illicit substances or to citizens it sends abroad in Queen Beatrix's service, the 18 month sentences a court imposed appear satisfactory.

A draft code of conduct for the new-style forces has not yet been agreed with unions and the ministry. But in advance of that the air force – which recalled the two technicians from Italy – has specified that from next month it will outlaw long hair at home as well, along with earrings and the piercings through nose, lip or eyebrow popular among European youth.

INTERNATIONAL NEWS DIGEST

Constitutional reform in Italy receives boost

The first major parliamentary hurdles have been overcome for the formation of a special commission to draw up proposals for the reform of Italy's 1948 constitution.

The chamber of deputies endorsed over the weekend a draft for setting up the commission just before closing for the summer recess. This adopted proposals already approved by the senate, which ensages a bicameral commission with 35 persons selected from each of the two houses reporting to parliament by the end of June 1997. Under article 138 of the constitution a second reading of the proposal must occur after a lapse of three months before the commission can operate.

The commission has a broad brief that ranges from reinforcing the powers of the executive and re-examining the roles of the head of state and prime minister to introducing a more federal structure for the Italian state. Despite tensions, the centre-left government and the rightwing opposition showed they were willing to push ahead with constitutional reform.

Those voting against the setting up of the commission were the populist Northern League, which believes the reforms will not go far enough in devolving power to the regions, and the marxists in Reconstructed Communism, who wanted to mark their distance from the government-opposition deal. *Robert Graham, Rome*

Danish defence chief killed

Denmark's defence chief was among nine people killed when a Royal Danish Air Force aircraft crashed as it came in to land in the Faroe Islands. The aircraft hit a cliffside as it approached an airstrip on the westernmost part of the Faroe Islands in the North Atlantic. It was bringing a military delegation back from an official visit to Greenland and Iceland. The defence chief, Admiral Hans Joergen Garde, 57, (pictured left) took over Denmark's highest military post last April. The other victims were the four crew, Adm Garde's wife and three officers. The Faroese Naval Station said visibility at the time of the crash was "average to poor" with fog and southwesterly winds, raising problems of landing at the very short airstrip. *Reuter, Copenhagen*

Egypt attracts more tourists

Visitors to Egypt have increased by 31.9 per cent in the first six months of this year, despite fears that the murder of 17 Greek tourists by Islamist gunmen in April would severely hurt tourism. Official figures said 1.7m tourists visited Egypt between January and June, most from Germany, Italy and Britain.

Although Israeli tourists were the intended targets of April's attack, Egypt's neighbour has sent the fourth largest number of visitors so far this year, but the numbers have declined since April.

In 1995 there were 3.1m visitors to Egypt, bringing revenues of some $2.3bn. If the trend for 1996 continues, the Egyptian tourist ministry anticipates a record year. However, Egypt's peak season for European and US tourists is October and it may not be until the end of the year that the true impact of the April massacre will be evident. *Sean Evers, Cairo*

Greek protesters injured

Two protesters were injured in scuffles at the weekend between Greek coastguards and members of PNO, the Greek seaman's union, who were trying to stop the Marco Polo, a UK-owned cruise ship, docking in Piraeus.

The demonstration delayed about 150 tourists – mostly Americans – from disembarking after a cruise through the Greek islands. The union declared a two-day strike on August 16-17 to back demands for restricting cruises by foreign vessels in Greek waters. It said Greeks' jobs were at risk if international cruise companies, which hire lower-paid Asian cabin staff, took a larger share of the Aegean cruise market.

Shipping minister Kosmas Sfyriou denounced the protest "as having an especially negative effect on Greece's tourist industry" at a time of falling tourist arrivals. Some forecasts indicate a drop in arrivals this season by more than 10 per cent.

Orient Lines, owner of the Marco Polo, has said it will continue to disembark passengers in Piraeus, despite the protests. *Kerin Hope, Athens*

World fishing body urged

An international fisheries congress has concluded in Brisbane amid suggestions that an international body needs to be established to oversee the world's $70bn fishing industry.

After five days of meetings between leading scientists and fish management authorities, Mr John Glaister, congress chairman, was reported as saying that a first draft of a constitution had been prepared for the body, which could include members from Australia, China, Mexico, US, Japan, Norway and Denmark.

He indicated that consultation on the new body would continue over the remainder of the year with further decisions on the make-up and constitution expected over that time. The aim of such a body would be two-fold – to *monitor the world's disappearing fisheries* while making recommendations to fisheries managers using the latest scientific data and to ensure such data were available freely to all countries.

No formal proposals were put to the conference, but delegates at the Second World Fisheries Congress said there was general recognition of the need for "some sort of overarching body" which could help bridge the gulf between long-term resource management requirements and the short-term political horizons of national governments.

It remains unclear under what auspices such a body might be formed. *Nikki Tait, Sydney, and agencies*

Turks exhume the past with Enver's reburial

By John Barham in Ankara

The mortal remains of Enver Pasha, a founder of the Young Turks political movement in the dying days of *the Ottoman empire* and later a rootless political adventurer, returned to Turkey at the weekend 74 years after his death.

Enver was feted as a national hero when his body was buried in Istanbul yesterday. President Süleyman Demirel presided over the ceremony. However, Enver was once reviled as the dictator who took the Ottoman empire into the first world war on Germany's side and as traitor to Kemal Atatürk, founder of modern Turkey.

But nostalgia for Turkey's imperial past is growing among Islamists who claim the Ottoman sultans' enlightened rule was guided by Islamic law. Turkey's ultranationalist movement see the empire as an expression of Turkish greatness.

Although both political movements have grown strongly recently – the present government is led by the Refah Islamist party – even apolitical Turks look back at the period with pride. One newspaper runs a cartoon called The Last Ottomans describing the final days of the empire through the lives of ordinary people.

Still, Enver, as he is still known – surnames were only introduced 70 years ago and the honorific Pasha means general – remains as controversial as ever. Many Turks consider him one of the architects of defeat in 1918, which led to the empire's collapse. Outside Turkey he is considered one of the key figures in ordering the massacre of hundreds of thousands of Armenian civilians in the war. Those massacres still haunt modern Turkey.

Still, Enver did try to drag the ramshackle Ottoman empire into the modern age, cutting the power of the sultan and the religious establishment. He and the group of young army officers who started the Young Turks movement which took power in 1913 were forerunners of the secular movement that created the republic 10 years later.

Enver also popularised the Pan Turkist political movement, which is enjoying a revival in Turkey. He dreamed of uniting the Turkic peoples from the Mediterranean to China. Recent governments have attempted to forge links with the Turkic republics of former Soviet central Asia.

After 1918 Enver escaped to Germany and then to central Asia, where he fought the Soviets at the head of a guerrilla army and ruled briefly as Emir of Bokhara before Lenin sent 100,000 troops to crush resistance. Enver died in a suicidal cavalry charge in Tajikistan against the Soviets.

Japan town rejects N-reactor

By Emiko Terazono in Tokyo

The Japanese government received a setback yesterday as residents of Maki, a town of 30,000 people in northern Japan, voted against construction of a reactor in the country's first referendum over a nuclear project.

The implications of the referendum were serious, said Mr Ryutaro Hashimoto, the prime minister, referring to the possibility that other municipalities might launch similar ballots. The vote will further undermine the government's nuclear energy programme which is under pressure following the leakage of coolant at Monju, the country's next-generation reactor, last December.

The country's 49 nuclear plants currently supply a third of Japan's energy needs and the government had planned to build at least six more reactors and to raise the reliance on nuclear power to 40.2 per cent by 2010. To lessen reliance on fuel imports, the government has also promoted recycling of nuclear waste into plutonium which, when burned, produces further fuel. Monju, a fast breeder reactor which is a central part of the plutonium programme, has been closed since the leakage.

The rise in anti-nuclear sentiment has already forced some electric power utilities to withdraw plans to build nuclear reactors. Although the country's pro-nuclear movement has been relieved by last month's defeat of a environmentalist candidate in a mayoral election in the city of Suzu, in western Japan, yesterday's vote is likely to increase the amount of time and government subsidies needed to promote the building of nuclear power plants.

Of the town's 23,000 eligible voters, 12,478 voted against the nuclear power plant's construction by Tohoku Electric against 7,904 in favour. The turnout totalled 88.3 per cent.

While the vote is not legally binding, Mr Takaaki Sasaguchi, the mayor, who was elected last January on a referendum platform, pledged that he would block sales of property.

Tohoku Electric Power announced in 1969 its plan to build a 825,000-kilowatt nuclear plant in the town, then a small farming and fishing community. However, the company's efforts to acquire land have been mired by purchases of small blocks of property by environmentalists and land speculators.

Demand for a referendum mounted in 1994 when Mr Kanji Sato, the then mayor who had been elected on an anti-nuclear platform, announced that he supported the reactor's construction. Mr Sato resigned last December.

The government and Tohoku Electric have indicated that they will not abandon their plans as the electric power company has acquired 96 per cent of the land required.

Slowing exports cut HK growth forecasts

By Louise Lucas in Hong Kong

Weakening export growth and fragile consumer sentiment have prompted private sector economists to cut their forecasts for growth in Hong Kong this year, suggesting the economy may not be as buoyant as it had been expected to be in the run-up to the handover of sovereignty to China in 1997.

Last week both Hongkong Bank and Hang Seng Bank, the territory's two biggest banks, cut their growth forecasts from 4.8 per cent to 4.6 per cent and 4.5 per cent respectively. The government has stood by its official estimate of 5 per cent.

Peregrine Research Institute, which forecasts growth of 4.5 per cent this year and 4.8 per cent next year, says the upturn in 1997 will only be modest. "Sentiment is very fragile in Hong Kong and there are a number of risks along the line next year which could impact it very heavily," says Mr Mark Mcfarland, senior economist at the Institute.

The catalyst behind the economists' downgrades is the slowdown in export growth, an Asia-wide phenomenon.

Hong Kong, which is changing from a manufacturing-led economy to a service-led one, has been affected both by weakening demand in countries such as the US and by policy changes in China, which hit mainland re-exports through Hong Kong. In the first six months of the year total exports grew by 3.7 per cent in real terms, compared with 14.2 per cent in the same period of 1995.

The deceleration in trade growth has rippled through the economy. Bankers report a drying up of trade financing, a bread-and-butter element of their business, and throughput volumes at the territory's ports grew just 2 per cent year-on-year in the first half. Expansion of the port has been held up by a political wrangle with Beijing and greater efficiency and slower than expected growth in trade have prevented the port from becoming congested.

Mr Charles Li, head of economic research at NatWest Markets in Hong Kong, who is forecasting 4.1 per cent growth this year and 5.1 per cent next year, believes the merchandise trade deficit itself – and empty slots at the territory's ports – may be a more permanent feature of the economy. As southern China's ports develop, there will be less need to channel re-exports through Hong Kong.

Already, he says, toys and clothes made at Hong Kong factories in the southern province of Guangdong are being shipped out directly.

Historically high unemployment and flat property prices have kept the lid on consumer spending, although economists point to signs of a rebound. According to Hang Seng Bank, prices in popular housing estates have risen by more than 10 per cent since hitting a trough in October 1995, while retail sales nudged up 0.3 per cent in the first five months of the year, compared with the same period in 1995.

Tough poker game for Barshefsky

Tokyo held all the cards in chip talks, write **Nancy Dunne** and **Michiyo Nakamoto**

Ms Charlene Barshefsky's expected reappointment as acting US trade representative will come as some consolation to her after her disappointment in the semiconductor negotiations with Japan.

The negotiations in Vancouver, Canada were particularly tough. The deadline was missed. Ms Barshefsky announced four times that she was leaving, only to relent and press on.

The talks, which ended on Friday, did not produce even a government-to-government pact but a "joint statement".

Tokyo held all the cards. For months prime minister Ryutaro Hashimoto had resisted the talks on the grounds that the two US-Japanese semiconductor pacts of the past 10 years had been successful and that the foreign share of Japan's market had far surpassed the 20 per cent "expectation" in the last five-year agreement.

The eventual deal has been received with relief in Japan.

Japanese officials and industry were particularly unhappy with the previous arrangement, which singled out the Japanese market for monitoring and put pressure on industry to ensure foreign chip makers got a growing market share in Japan.

"Until now it was a one-way agreement which targeted the Japanese industry alone, but from now on it will be a two-way exchange which will eventually become a framework for industrial co-operation encompassing global markets," said Mr Tsugio Makimoto, chairman of the electronic devices steering committee of the Electronic Industries Association of Japan.

The Japanese also strongly objected to US proposals for the role of the governments in monitoring foreign penetration of Japan's market.

But Japanese officials expressed satisfaction that, in the final agreement, the role of government is kept to a minimum, and that the principle that any co-operative arrangement should engage all leading semiconductor makers and cover global markets – rather than just the Japanese market – has been accepted.

In practical terms, the consensus is that the agreement is unlikely to have a significant impact on trends in the industry, where cross-border co-operative arrangements have progressed significantly – as a result of market forces and irrespective of formal government agreements.

In Washington, Mr Sherman Katz, a prominent trade lawyer, described the final "joint statement" as the tiniest of "fig leaves".

"The idea that there will be government meetings yearly to review semiconductor trade but with no power to do anything about it means everyone decided to smile and go home," he said.

Under the agreement, US and Japanese industry associations will create an entity to collect data about the sectors and deliver it to their governments, which will meet to discuss chips at least once a year. The business groups will also engage in a variety of activities to promote co-operative ventures.

But the two sides could not even agree on a name for the entity: the US will call it the Semiconductor Council while Japan will call it the International Semiconductor Council. Private sector associations from other countries may join if their governments agree to drop their tariffs on semiconductors.

President Clinton claimed he was "delighted" with the outcome of the talks. He plans a campaign trip this week to California, home of the semiconductor industry.

He might have had more to applaud if it had not been for the tactics of Mr Mickey Kantor, the US commerce secretary and former US trade representative, who annoyed his Japanese counterparts and hardened their negotiating stance.

In Detroit last month, Mr Kantor accused Tokyo of not living up to a commitment in an earlier deal to open 200 car dealerships for US companies. Japanese officials said Mr Kantor appeared deliberately to be misinterpreting the agreement – and not for the first time. Mr Hashimoto – who as trade minister earned kudos for saying "No" to the US in previous talks – was angry. In Vancouver, his negotiators' position on chips was unyielding. In the end, Mr Hashimoto said "No" again.

Against this background Ms Barshefsky's reappointment as acting US trade representative may seem the least she could expect for her travails.

Ms Barshefsky was appointed acting trade representative in mid-April, when Mr Kantor took over as commerce secretary after Mr Ron Brown's death in an air crash.

But US law now requires such purity of US trade representatives that they must never have represented a foreign government. Ms Barshefsky, however, advised Canada in a timber dispute when she was a trade lawyer before joining the US government.

The president's lawyers, it seems, still have not found a way to qualify her for the job permanently – hence the move to reappoint her on an acting basis.

When chips were down, Kantor (left) irked Japan, which took a hard line with Barshefsky

Philippines plans airport privatisation

By Edward Luce in Manila

The Philippine government will this week announce plans to privatise the majority of the country's provincial airports over the next few years. The programme, following liberalisation of the domestic airline industry in 1994, initially will target the leading international airport in Manila and the largest provincial airports.

Under the scheme, which will allow foreign companies in joint ventures with local companies to take full control of management of the airports, private sector consortia will be eligible to bid for control of any of the 36 main provincial airports on merit.

Bidders, likely to include the East Midlands Airport Authority of the UK and Japanese groups, including Marubeni and Mitsui, can submit tenders under the country's build-operate-transfer (BOT) law. The law, which was last year expanded to nine variants including BOO (build-operate-own) and BLT (build-lease-transfer), is considered the most cost-effective way of upgrading infrastructure including airports.

"We do not plan to impose any type of ownership or privatisation formula on bidders," said Mr Amado Lagdameo, secretary of state for transport. "What we are saying is that private sector groups can look at each case and decide which is the best type of privatisation to put forward. We will then decide on merit."

The government is about to give the go-ahead to the Asian Emerging Dragons Corporation, a group of six Chinese-Filipino businessmen, to construct a third US$400m terminal at Manila international airport which will increase its capacity to 7.5m passengers a year.

With international air passenger traffic growing at more than 10 per cent a year the government is also requesting the Asian Emerging Dragons, which is in partnership with Mitsui, Marubeni and Ital-Thai of Thailand, to upgrade the Clark airbase, 80km north of Manila, into the country's joint leading international airport.

The government has not put an estimate on the size of investment required in the airports but says it is likely to be more than US$3bn.

On a visit to the Philippines at the weekend, Sir George Young, UK secretary of state for transport, said that several British groups, including East Midlands and various airport security companies, were viewing the privatisation with interest.

Mexico aims to lengthen IMF repayment period

By Leslie Crawford in Mexico City

Mexico plans to seek an agreement with the International Monetary Fund to lengthen the repayment schedule of $12.8bn borrowed from the IMF during last year's financial crisis.

Finance ministry officials in Mexico City said the Extended Fund Facility (EFF), a medium-term borrowing programme, would allow Mexico to "iron out humps" in Mexico's debt repayment schedule. Under the present timetable, Mexico must repay the IMF $3bn in 1998 and $6bn in 1999.

The IMF on Friday granted Mexico a six-month extension on a $17.8bn stand-by facility that was due to expire this month. Mexico has drawn down $12.8bn of that amount and the Bank of Mexico said it would not use the remaining available funds. The main purpose of the extension, finance officials said, was to keep the IMF's "seal of approval" for Mexico's economic programme.

That endorsement has allowed Mexico to tap the voluntary capital markets far sooner than predicted. Mexico raised a record $6bn in the international capital markets last week with a five-year floating rate note, allowing it to repay $1bn to the IMF and $7bn of the $20bn borrowed from the US Treasury during 1995.

Meanwhile, the Bank of Mexico will this week launch a new auction mechanism that will allow it to buy dollars in the foreign exchange market for the first time since the peso devaluation of December 1994.

Central bank officials said the auction mechanism would allow it to build foreign exchange reserves gradually while keeping the floating exchange rate regime intact. Mexico's $4bn of hard currency reserves are not considered sufficient to defend the peso against speculative attacks.

The monthly auction will allow Mexican banks and the subsidiaries of foreign banks operating in Mexico to acquire options to sell dollars to the central bank at a previously set strike price. The first auction, for $130m, is due to take place on Wednesday.

Malaysia power failure brings industry to halt

By James Kynge in Kuala Lumpur

Peninsular Malaysia suffered its most comprehensive power failure this decade at the weekend after an equipment fault at one power station caused the national grid to shut down for nearly 16 hours, closing factories and creating havoc in leading cities.

Mr Anwar Ibrahim, deputy prime minister, described the blackout on Saturday as "huge". Supplies were restored yesterday.

Foreign-owned factories, many of which usually work on Saturday nights, were forced to close.

The blackout is the latest in an embarrassing series for Malaysia's government and Tenaga Nasional, the former power monopoly, which operates the national grid. In 1992, nine out of 13 peninsular states were plunged into darkness after a failure which was attributed to a strike by lightning in one part of the grid. That blackout, which took three days to correct, was the main impetus behind a government decision to allow six independent power producers to go into competition with Tenaga.

Last year, the government upbraided Tenaga for a power failure to Penang, where much of Malaysia's electronics factories are located.

The factories, many of which are subsidiaries of foreign multinationals, were said to have suffered "tens of millions" of Malaysian dollars in losses before power was fully restored 18 days later.

In one incident in this weekend's blackout four children were burned to death in a fire apparently caused by candles.

INTERNATIONAL NEWS DIGEST

Megawati to face police

Ms Megawati Soekarnoputri, the ousted Indonesian opposition leader, is due to face police questioning today as the authorities push ahead with a crackdown on dissidents associated with recent riots. Meanwhile, the official Antara news agency has reported that the government has imposed a travel ban on an unspecified number of people who participated in a free speech forum held outside the offices of the opposition Indonesian Democracy party (PDI).

Ms Megawati's lawyers said at the weekend that the former PDI leader and several of her advisers had been summoned for police questioning after President Suharto gave approval for selected members of parliament to be questioned. Ms Megawati was ousted by her party last month through a rival faction backed by the government. She said at the weekend she was prepared to answer questions in line with her strategy of pursuing her battle over the PDI leadership through the Indonesian courts.

The Jakarta police chief, Major-General Hamami Nata, was quoted as saying that 113 people detained during the riots had been released but that 123 others would be charged with subversion. *Greg Earl, Jakarta*

Taipei unveils typhoon relief

Taiwan at the weekend declared 13 of 21 counties major disaster areas in the wake of Typhoon Herb, which claimed at least 31 lives and caused $16.7bn in damage to agriculture, fisheries and industry at the end of last week. The cabinet announced low-cost loans for those affected and an easing of imports of fresh vegetables.

Officials said the typhoon would push up consumer prices but would spur the sluggish economy, especially the construction industry. Many bridges, roads and buildings were damaged. Many areas remain without electricity, running water or telephone service. Thirty-five people remain missing. *Laura Tyson, Taipei*

Sri Lankan troops advance

Sri Lankan troops backed by tanks and air support renewed a thrust against Tamil Tiger rebels in the north yesterday as authorities braced for a flood of refugees fleeing the fighting, military and aid officials said. Air force bombers and helicopter gunships pounded rebel positions as troops resumed their advance at dawn towards rebel-held Kilinochchi, 229km north of Colombo, after a week-long lull.

Aid officials said they were preparing 35 schools in and around the frontline town of Vavuniya, 70km south of Kilinochchi, for refugees. "We estimate almost 200,000 people have been displaced by the latest fighting," said an aid official.

The government military offensive was launched shortly after the army's worst defeat of the war, in which some 3,000 guerrillas overran the Mullaitivu base on the north-east coast. *Colombo, Reuter*

Bangladesh reforms urged

Bangladesh must sustain economic reforms to create rapid growth in jobs, according to a World Bank policy document launched yesterday. The document, An Agenda For Action, proposes further liberalisation of the economy, speeding up the privatisation programme and streamlining the bureaucracy.

The report comes six weeks after the Awami League, led by Prime Minister Sheikh Hasina, returned to power following more than two decades in opposition. Yesterday Sheikh Hasina told visiting senior World Bank officials that her government needed time to carry out the reforms. The report says the government should seize the goodwill created by its election to push through badly needed reforms.

The World Bank said Bangladesh was unlikely to attain the 7-8 per cent economic growth needed. Bangladesh's growth in gross domestic product was only 4.7 per cent in the year to end-June. *Kasra Naji, Dhaka, and Agencies*

China targets counterfeiters

China plans to improve the printing of money and has set up a team of investigators to foil growing counterfeiting, the official Business Weekly reported yesterday. Experts are looking into special inks and China will import sophisticated printing equipment, said the English-language newspaper quoting a central bank official. Last year, police confiscated nearly Yn100m ($12m) in counterfeit banknotes, a 30 percent increase from 1994. *AP, Beijing*

Seoul's current account deficit has sparked attack on 'unnecessary overseas luxuries'

Mr and Mrs High-Spender become pariahs

Effigies of a wealthy couple labelled Mr "High-spending nouveau riche decadence" and Mrs "Nation-destroying consumer of luxurious foreign goods" were recently burned in a Seoul public park.

In the same vein, Korea Broadcasting System, the public sector TV service, instructs viewers that buying imported whisky and eating at foreign-licensed restaurant chains is wasteful while newspapers thunder against "immoral" conspicuous consumption. "Bubble-led spending spree sends economy into tailspin," was a frontpage headline in Hankook Ilbo last week, following a statement by Mr Kim Young-sam, the South Korean president, urging Koreans to curb spending on "unnecessary overseas travel and luxuries". The term is synonymous in Korea with foreign products.

The public gnashing of teeth over imported consumer goods, which accounted for only 11 per cent of total imports last year, is in response to predictions that Korea will suffer a record current account deficit of at least $12bn in 1996.

But officials insist that South Korea has not returned to the days of government-sponsored "anti-consumption" campaigns that were launched whenever the trade balance went into the red. Officials are particularly sensitive about such a perception abroad when Korea is preparing to join the Organisation for Economic Co-operation and Development and is facing looming trade disputes with the US on telecommunications and other issues.

Given the prickly nature of US-Korean trade relations, "it matters a great deal whether you are from a country where the president can ask people not to buy imports. We make every effort here to make it clear that Korea is no longer such a country," said Mr Lee Sang-jik, head of the Korea Foreign Trade Association in Washington.

It is true that official intervention against foreign products is not as blatant as it once was when banners urging "Buy Korean" hung from government office buildings in central Seoul.

Instead, the government is using more subtle measures to curb spending in hopes of reducing the current account deficit. For example, it recently proposed new tax-free savings accounts and other financial incentives to encourage frugality.

However, many Koreans appear to be rebelling against the official calls for less "luxury" spending. One indication of the new consumer mood was the record number of overseas departures from Seoul's Kimpo airport last week.

The government's anti-consumption campaign once enjoyed broad public support. Koreans regarded it as a patriotic duty to buy local products.

But attitudes changed as most Koreans came to regard themselves as middle-class, with the per capita gross national product exceeding $10,000 last year. Another factor was the abolition of restrictions on overseas travel in 1989.

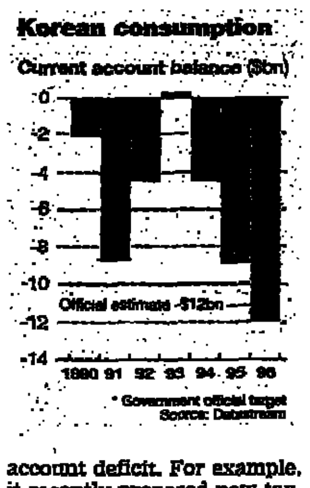
Koreans soon discovered that consumer products abroad were cheaper than at home, given South Korea's protected market and inefficient distribution system.

Half of the budget for the average Korean traveller abroad is spent on shopping compared with 3 per cent for sightseeing. The government has now imposed a $5,000 limit on monthly credit card use overseas to curtail the shopping tours. Violaters risk a prison term.

Nonetheless, that will apparently not stop Koreans from going abroad in record numbers this year, which will contribute significantly to the widening current account deficit.

Perhaps the only way the government could persuade its citizens to stay at home would be to open its market fully to foreign products and sell them at internationally competitive prices.

John Burton



NEWS: INTERNATIONAL

Japanese stake in Chilean producer

By Kenneth Gooding

A Japanese consortium has *bought 12 per cent of the* $1.76bn Collahuasi project in Chile, destined to become one of the world's biggest copper producers. It will also provide $200m towards $1bn of project finance for the venture.

The consortium, consisting of Mitsui & Co, Nippon Mining & Metals and Mitsui Mining & Smelting, has also entered into a long-term *agreement to take an annual* 250,000 tonnes of copper concentrate from Collahuasi, or 31 per cent of the mine's total output of 800,000 tonnes.

The Japanese bought their stake from Minorco, the Anglo American Corporation of South Africa subsidiary, and Falconbridge of Canada, which have reduced their holdings to 44 per cent each.

In spite of the turbulence in the copper market, Collahuasi has completed finance agreements that include: $500m underwritten by ABN AMRO, Canadian Imperial Bank of Commerce, Citibank, Dresdner Bank and Union Bank of Switzerland; a $170m facility provided by Kreditanstalt für Wiederaufbau; and a $150m facility provided by the Export Development Corporation of Canada, as well as the *customer finance facility provided* by Mitsui & Co. N M Rothschild was Collahuasi's adviser.

Collahuasi's shareholders will provide $740m in equity and subordinated loans.

The mine is scheduled to begin commercial production by January 1999 and to produce 330,000 tonnes of copper a year in concentrate and 50,000 tonnes in cathodes at an estimated cash production cost of between 50 and 53 cents a pound ($1,102 and $1,168 a tonne).

The arrangements are in line with Japan's policy of securing supplies for its copper smelters.

UK finds help for metal review

By Clay Harris and Kenneth Gooding in London

Britain's Securities and Investments Board has called in the National Economic Research Associates consultancy organisation to help with its review of UK metal trading, announced in the wake of the Sumitomo *copper affair.*

The SIB hopes to have a consultative paper ready by the end of August which will outline the investment watchdog's initial thinking. It will mark the interim stage in its review, due to be completed by the end of this year.

Nera, the UK branch of the US group Marsh McLennan, specialises in micro-economic surveys and has worked for every one of the UK regulatory organisations. Its 60 economists specialise *in regulatory issues and* market structures.

The SIB said it needed to call on outside help when conducting substantial reviews as it had a staff of only 200 and a budget of £20m. Nera was carrying out on its behalf basic economic research with the London Metal Exchange and other international exchanges.

Mr David Pritchard, head of the SIB's markets and exchanges division, is leading the review which covers all aspects of metal trading *in the UK, including transactions* and participants that are not regulated by the LME or any other body. Most copper contracts in the world are based on prices set by LME trading.

Sumitomo Corporation has said it aims to wrap up an internal probe into its copper trading losses in about six months. A company official said last week that the investigation was focusing on the extent of the losses and how they were generated, although it had not yet been decided whether the results would be made public. Sumitomo has repeatedly said it would not comment until the internal probe was complete.

Meanwhile, there was another indication that the copper market was returning to normal after recent turbulence when the London Clearing House cut the *initial margin – the deposit* required to make a copper *trade on the LME – by $50 to* $250 a tonne.

The margin, which stood at $200 at the beginning of May, was raised during the Sumitomo crisis to restore order to the market. It peaked in June at $600.

Japanese smelters left rich legacy

A pool has gained most from efforts of Sumitomo Corp's former copper trader

Ask anyone at the sharp end of the copper business who stood to gain most from the efforts of Mr Yasuo Hamanaka, former chief copper trader at Sumitomo Corporation, to maintain high copper prices and they reply without hesitation: the Japanese smelter pool.

Yet the Japanese industry often denies the existence of this pool.

Pedantics would say this is correct. The pool is not a legal entity, but for some of the world's biggest copper mines it is a very potent force indeed.

Members of the pool are the owners of Japan's six copper smelters: Dowa Mining; Furukawa; Nippon Mining; *Mitsubishi Materials;* Mitsui Mining & Smelting and Sumitomo Metal *Mining.*

Most of the time these companies do individual deals with suppliers. But when the mine involved is particularly big and important, they gather together and negotiate as a powerful group, taking it in turns to act as leader.

Last year the pool negotiated terms for 800,000 tonnes of copper concentrate (an intermediate material) or more than 20 per cent of the 3.6m tonnes Japan imported.

The big copper mines on the other end of those negotiations include Escondida in Chile; Freeport Copper & Gold in Indonesia, Highland Valley in Canada and Ok Tedi in Papua New Guinea.

A Chilean judge has sentenced Mr Juan Pablo Davila, the disgraced copper trader, to three years in jail for tax evasion in the first conviction from a 1994 futures trading scandal that cost Chile $175m, Reuter reports from Santiago.

Judge José Benquis also fined him 133m pesos ($324,000) and Mr Davila's lawyer said he would appeal.

Mr Davila, who still faces fraud charges, was accused of failing to declare 220m pesos on his income tax forms in 1993. At the time he was a futures trader at Codelco, the Chilean state copper company and the world's largest copper mining concern.

Early in 1994, however, officials at Codelco discovered his bad trades had cost the company about $175m, leading to a scandal that forced Codelco's president to resign. Commodities markets around the world were shocked.

Mr Davila originally said the losses were due to trading errors which he tried to cover in risky *speculative deals. But he* was later charged with fraud, and in January was arrested.

The list used to include Bougainville, another big mine in Papua New Guinea. Some observers suggest it is no coincidence that Mr Hamanaka began to make Sumitomo's presence *felt* in the London Metal Exchange's copper market *soon after Bougainville* closed unexpectedly at the end of 1989 following attacks by secessionists.

At first they used bows and arrows but quickly moved on to more modern weapons and the mine has been closed ever since. This closure caused some consternation in Japan.

In the 1960s and 1970s, when it became clear the country would be needing huge tonnages of copper, it was decided that the balance of trade would benefit if Japan imported cheaper copper concentrates (materials containing 20 to 45 per cent copper) and upgraded them locally to refined copper.

So, unique among copper producing and consuming countries, Japan has six "custom" copper smelters, or plants that take raw material from outside sources. Other countries with smelting capacity have only one or two custom plants plus some owned by integrated *companies that do everything* from exploring for copper to producing the refined metal.

Once the custom smelting strategy was in place, it was important to Japan that no global shortages of copper concentrate should develop.

Those in the industry who argue that Mr Hamanaka was working as much on behalf of the smelter pool as for Sumitomo point out that one sure way of ensuring there were no shortages was to keep the price of refined copper high enough to encourage investment in new mining capacity.

It is now clear that Mr Hamanaka, by his efforts on the LME, did manage for a long time to keep copper prices higher than they otherwise might have been. This, in turn, encouraged an unprecedented investment by mining companies in new copper capacity, and much of it will be producing concentrate.

Those who believe this strategy was the prime motive for Mr Hamanaka's actions suggest that regulators investigating the circumstances in which he is alleged to have made losses of $1.8bn would do well to ask why the most powerful person in the copper market, able to move it virtually at will, always shoved prices in the same direction – upwards.

Other traders and merchants are as happy making profits when prices are falling as when they are rising.

Although a long-term strategy was being implemented by Mr Hamanaka, if you believe this theory, there have been some short-term gains for the smelter pool. The pool renegotiates terms with the mines annually and contracts include "price participation" clauses which give the smelters extra income if the eventual price received *for the refined metal moves* above 90 cents a pound ($1,984 a tonne).

For every 10 cents a pound above that level, the smelter receives one cent. Analysts calculate that in 1995 this was worth an extra 4.3 cents a pound ($948 a tonne) to custom smelters.

However, there have been times when concentrate was short and in 1994, after the *collapse of the Soviet Union* caused turmoil in the market, the Japanese smelters *had to cut production.*

Nevertheless, Mr Hamanaka's legacy will be enormously beneficial for the Japanese smelter pool. Analysts say so much new mining capacity will start up in the next few years that there will be a huge surplus of concentrate.

That is bad news for producers of refined copper, but comforting for the smelter pool. Not only do they have long-term security of supply, they will also be able to charge top prices as miners compete to use their capacity.

Kenneth Gooding

US proposes overhaul of derivatives

By Laurie Morse in Chicago

A bipartisan team of senators has proposed an overhaul of US derivatives trading regulation which would give more powers to futures regulators after the Sumitomo copper trading scandal.

The reforms, which will be introduced as legislation in *September, are unusual in* that they will require federal agencies to weigh the costs of market regulation against its potential benefits.

The proposals also seek to make US futures exchanges more globally competitive by offering several forms of regulatory relief. One plank of the reforms would give the Commodity Futures Trading Commission (CFTC) powers *to oversee foreign markets,* such as the London Metal Exchange, which have US delivery points.

Mr Dick Lugar, chairman of the Senate Agriculture Committee, and Mr Pat Leahy of Vermont, the senior Democrat on the panel, are co-sponsoring the legislation, which will update the Commodity Exchange Act (CEA).

They said *the bill* would require the CFTC to negotiate with foreign regulators *of contracts with US delivery* points to secure adequate assurance that there was no *manipulation* or disruption of US markets.

"This has been a time of rapid and dramatic change in futures and options trading. In our congressional oversight role, we must review and update the law from time to time to keep up with the changes. Our responsibility is maintaining public confidence in the markets," said Mr Lugar.

Mr Lugar and Mr Leahy said they were waiting until next month to introduce the legislation in order to give federal agencies time to sort out a part of the CEA that deals with oversight of foreign currency transactions.

In a rare reversal, the Lugar/Leahy proposals would leave US futures exchanges free to introduce new products and change rules without first seeking CFTC approval. That approval process now takes months, and sometimes years. *Instead, the senators* would give the CFTC veto power over a new contract if it seemed detrimental to the public interest.

Despite a string of derivatives market crises that include large losses by Metallgesellschaft, Barings, and most recently Sumitomo, the senators have not proposed more stringent oversight. Instead, they will ask the CFTC to weigh both the anticipated costs and the anticipated benefits of each *significant* regulation the agency proposes.

"US exchanges face some regulatory costs that are not borne by their competitors. The act, and the CFTC's actions to implement its requirements, must strike an appropriate balance between prudent regulation and the need for a cost-competitive industry," the senators said in a joint statement.

Executives at futures exchanges in Chicago and New York have long *complained* that CFTC rules requiring strict fraud detection measures were financially punitive. They were elated by the proposals.

"The senators have initiated the legislation to streamline the regulatory burdens faced by US exchanges. We appreciate that the first issues the senators plan to address ... will be the need to evaluate and weigh the costs of regulation," said Mr Tom Donovan, president of the Chicago Board of Trade. The legislation, when introduced, will also reaffirm exemptions certain over-the-counter derivatives contracts have from CFTC oversight, and will seek to extend those exemptions to equity derivatives.

ATLANTA OLYMPICS

Marathon – by 3 seconds

Six months after being shot and seriously injured, Josia Thugwane became the first black South African to win a gold medal when he triumphed in the closest Olympic marathon in history.

Thugwane won yesterday's marathon by a margin of just three seconds from South Korea's Lee Bong-ju, after entering Atlanta's Olympic stadium alongside Lee and Kenya's Eric Wainaina, who finished eight seconds behind. It was the first time since the London games of 1948 that three medallists entered the stadium at the same time.

The 5ft 2in (1.58m) winner waved his arms as he crossed the finish line, stopped his watch, then ran to a crowd of his countrymen, one of whom lifted him off his feet and handed him a South African flag. President Nelson Mandela interrupted a meeting to call Thugwane "South Africa's golden boy" and an example to black youth.

Thugwane, a security guard at a mineworkers' hostel in Bethal, was lucky to be in the race at all, after being shot and then being forced from his speeding car when it was hijacked in March this year. He bears the scar of the gunshot wound on his chin.

"Three or four men got in my car and made me drive away," he said yesterday. "They told me to hand over the keys but I refused and there was a bit of a scuffle. They produced a gun and there was shooting. I jumped out of the car while it was still moving and that's how it ended."

The bullet only grazed his chin, but more serious was the back injury he suffered when he jumped from the car, and he needed medical treatment for several weeks before regaining fitness.

"I thought it may not be possible for me to run again. But my employers gave me the best support possible, they paid for all my treatment," he said.

"I feel good about winning this medal for my country and my president."

Thugwane made his decisive break after 30km, when a sudden injection of pace took the leading pack by surprise. He was caught by Lee, and the two men looked to be getting away from Mexico's German Silva and the race favourite, Spain's Martin Fiz.

But the tall figure of Wainaina made up the ground, and the three leaders forged ahead. They remained close together until about 2km from the end when, with the stadium in sight, Thugwane made his final surge at the last water station. Lee and Wainaina could not quite match his pace.

With Cape Town making a bid for the 2004 Olympics, it was important for a black South African to raise the profile of the games in his home country. Thugwane's gold also marked a marathon double for Africa, the women's race being won by Ethiopia's Fatuma Roba.

Thugwane was not the only medal winner who overcame dangerous injury to become a national hero at Atlanta. Cuba's 800m star Ana Fidelia Quirot, adored for the way she had recovered from serious, disfiguring burns suffered in an accident, delighted Cubans with a silver medal.

President Fidel Castro declared it "a diamond medal".

Peter Aspden

Cuba finds success in the belly of the Beast

Slogans are still in vogue in Cuba, and the island's Olympic athletes were sent to Atlanta with a resounding official motto: "We will not achieve less than the homeland expects of us!". Pascal Fletcher writes from Havana.

In the event, the Cuban team did less well than expected. Cuba's sports authorities had set the ambitious target for Atlanta of trying to equal or better the 14 golds won in Barcelona four years ago, when Cuba came fifth in the medals table. By this measure, they will finish at least four medals short in Atlanta.

But this proud and prickly Caribbean nation of 11m people again showed it can beat the world's sporting giants, including its political arch-enemy the US, in events as varied as baseball, boxing and volleyball.

Cuba's participation was given added spice by President Fidel Castro, who described the Cuban team as a "delegation of patriots" competing "in the belly of the Beast" – the US.

Cuba's gold medal in baseball was especially sweet, even though the Cubans were defending the title they won in Barcelona and are the reigning amateur world champions.

Cubans also thrilled to the hard-fought victory over China of the women's volleyball team. And Cuba's reputation as a world boxing power seems likely to remain intact, even though the final boxing medal haul in Atlanta will fall short of the seven golds won in Barcelona.

But Cuba's fanatical sports fans, who include Mr Castro, saw several gold medal hopes dashed. One of the biggest disappointments was high jump world record holder Javier Sotomayor, who failed to win a medal. Propaganda billboards featuring Sotomayor as a national example will probably now come down.

But the Cuban leader will be pleased that after the embarrassing defection of three Cuban sports stars – one baseball pitcher and two boxers – to the US before the games, no other Cuban athletes have decided to stay behind. Cuban athletes no doubt remember the stern pre-games pep talk given by Mr Castro, who warned history would never forgive them if they betrayed the homeland.

ATLANTA DIGEST

Russians athletes reinstated

An arbitration court yesterday reinstated two Russian athletes who had been stripped of their Olympic medals after testing positive for a banned drug. The court of arbitration for sport ruled there was insufficient evidence to disqualify swimmer Andrei Korneyev and Greco-Roman wrestler Zafar Gulyov. They were among four Russian athletes expelled for using bromantan, a stimulant. The decision is a blow for British swimmer Nick Gillingham, who would have been awarded the bronze after finishing behind Korneyev in the 200m breaststroke final. *AP*

Privately run games condemned

IOC president Juan Antonio Samaranch said the Atlanta games could have been improved, and suggested he would not support a privately-funded Olympics again. Samaranch said in an interview he was not happy about a series of problems that included long delays *for athletes on arrival, transport difficulties and a sub-standard* results and information service. "I don't like the Olympic games organised by a private firm as they were in Atlanta. The city, region *and country must be involved in the organisation in order for it to* function properly," he said. *Reuter*

Results

Athletics

Men's 4x400m relay: 1 US 2 minutes 55.99 seconds, 2 Britain 2:56.60, 3 Jamaica 2:59.42.
Men's 4x100m relay: 1 Canada 37.69, 2 US 38.05, 3 Brazil 38.41.
Women's 4x400m relay: 1 US 3:20.91, 2 Nigeria 3:21.04, 3 Germany 3:21.14.
Men's 5000m: 1 V. Niyongabo (Burundi) 13:07.96, 2 P. Bitok (Kenya) 13:08.16, 3 K. Boulami (Morocco) 13:08.37.
Women's 1500m: 1 S. Masterkova (Russia) 4:00.83, 2 G. Szabo (Romania) 4:01.54, 3 T. Kiesl (Austria) 4:03.02.

Baseball

Final: Cuba 13, Japan 9. Bronze: US.

Football

Men's final: Nigeria 3, Argentina 2. Bronze: Brazil 5, Portugal 0.
Women's final: US 2, China 1. Bronze: Norway 2, Brazil 0.

Hockey

Men's final: Netherlands 3, Spain 1. Bronze: Australia 3, Germany 2.

Cycling

Men's time trial: 1 M. Indurain (Spain) 1:04.05, 2 A. Olano (Spain) 1:04.17, 3 C. Boardman (Britain) 1:04.36.

Basketball

Men's final: US 95, Yugoslavia 69.

Boxing

Featherweight: 1 S. Kamsing (Thailand), 2 S. Todorov (Bulgaria), 3 P. Chacon (Argentina) and F. Mayweather (US).
Flyweight: 1 M. Romero (Cuba), 2 B. Djumadilov (Kazakstan), 3 A. Pakeev (Russia) and Z. Lunka (Germany).

Time to convert gold to dollars

Once the medals are counted and Atlanta's Olympic store closed, it is time to begin cashing in. The General Mills food company is receiving over 300 calls an hour *from consumers eager to nominate* athletes for the "Breakfast of Champions" panel on each Wheaties breakfast cereal box.

Only two US stars are already certain, Michael Johnson (who hardly needs the exposure) and 18-year-old gymnast Kerri Strug. Her performances on the vault with a sprained ankle, ensuring her team won the gold medal, has been shown so many times on NBC's television coverage that Strug's has become among the best-known faces in the US.

The commercial spin-offs for Strug after a few days on painkillers and crutches are mind-boggling. "I think she fits the nation's mood," said agent Leigh Steinberg, who has just signed Strug, his first female athlete client. "It wasn't the vault. There's got to be some heroics." He predicts she could gross $10m-$15m from endorsements and personal appearances over the next two to three years.

However, before Strug is unleashed on the US public, she is scheduled to have intensive voice coaching. Steinberg, who represents several American football stars, knows the young gymnast's squeaky Donald Duck-like vocal delivery is only cute the first time one hears it.

Steinberg says the Strug family is *already affluent – her father is* a West Coast heart surgeon – and will be very selective about where the dollars come from. They will choose "just three or four primary associations" and then found a charitable foundation in her name.

Among the male athletes, marketing executives tip decathlon gold medallist Dan O'Brien for the Olympic dollar prize. "I certainly hope the deals come through for me like they did for Bruce Jenner," said O'Brien, referring to the US athlete who won the event in 1976 and went on to carve out a career in action films and TV mini-series.

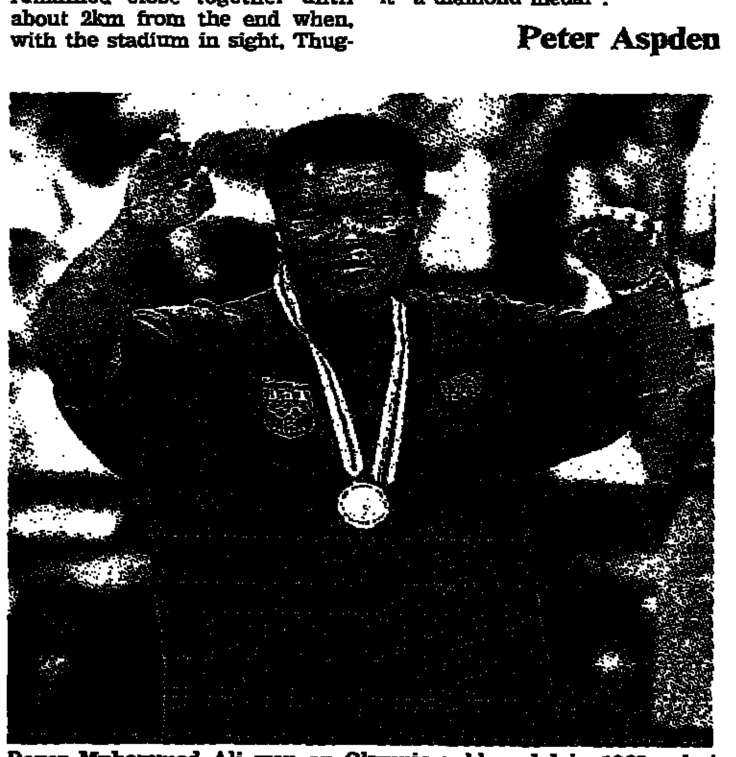
Once again, though, it is not simply the nature of O'Brien's performance in the toughest of competitions that excited Madison Avenue. His adoptive parents from Idaho have created a multi-ethnic family: Dan and his seven siblings include Asian and native American children.

Not all the post-Olympic dollars will be raised by gold medallists endorsing everything from rental cars to deodorants. The blazingly fast track, praised by IOC president Juan Antonio Samaranch as the quickest and best in the world, is to be cut into pieces 60cm square.

Each of the 100,000 slabs will be sold for a minimum of $19.96 – more if it is incorporated in a framed poster. The yield of close to $2m will be the biggest single payback from the salvage sale, but the Atlanta organisers are hoping for a large demand for the 36,000 navy blue bucket seats, each emblazoned with the Olympic logo, that are also to be sold.

There could be demand for chunks of the track from the middle- and long-distance runners, their legs drained by long laps on the unyielding surface. They would want to buy it, if only to ensure it is ripped up.

Keith Wheatley



Boxer Muhammad Ali won an Olympic gold medal in 1960 – but threw it in a river after being refused service in an all-white US restaurant. He wears a replacement awarded him in Atlanta *Reuter*

NEWS: UK

Beef farmers set to break ranks with union

By Deborah Hargreaves

Many beef farmers will break ranks with the National Farmers' Union today and call for specific measures to help calf producers affected by the crisis over bovine spongiform encephalopathy, or mad cow disease.

Mr Fraser McLeod, who heads the Farming Collaboration – a group of 20,000 predominantly cattle farmers, ranging from Scottish crofters to hill farmers and highland shepherds – said the beef producer had been "at best marginalised and at worst ignored".

Mr McLeod accuses the NFU of focusing on the demands of dairy farmers. "The NFU is pursuing a single industry response, and our voice has not been heard," he said.

Highland and hill cattle farmers produce suckler calves which are sold in August and September to be fattened up by lowland producers and then sold on for slaughter.

"Scottish farmers are only now beginning to bring calves down from the hills for sale – and seeing prices knocked down by a third," Mr McLeod said.

Last week the farmers were getting 88p per kg compared with 132p per kg during the same period last year. The full price for a suckler calf is around £400 ($624.00) – which is between £100 and £150 lower than last year.

The Farming Collaboration is calling on the government and Brussels to support the beef suckler herd through the forthcoming autumn sales. Mr McLeod would like to see a market top-up of £100 to £150 per animal.

The group also wants reform of the EU's beef meat regime to include support for suckler herds.

"Many of our farmers are in extremely marginal areas where there is no alternative to livestock farming, and if they go out of business, the whole local economy is affected," he said.

Mr McLeod accepts the NFU hierarchy is struggling to hold a strong line across the industry. "We have a duty to our members and we're not going to abdicate that just because we'll upset people," he said.

The NFU is also facing dissent from farmers opposed to the selective cull of cattle. Although the union officially opposes the policy, it accepts the need to reassure consumers.

Some farmers in the West Country say they will not allow government vets to take animals for slaughter. "Many of them will allow the vets on their land to identify the cows, but when it comes to taking them for slaughter, they'll stand in the way and not let them go," said Mr John Down, a dairy farmer near Chard in Somerset.

A group of West Country farmers is calling for a public inquiry into the government's handling of the BSE crisis.

● A Ministry of Agriculture officials yesterday reiterated advice that milk was completely free from the BSE agent. It said it was unaware of any specific experiments being conducted by government scientists into the safety of milk.

Central bank to warn over more rate cuts

By Daniel Green

The Bank of England, the UK central bank, is expected to caution this week that UK interest rates should not be cut further if the government is to meet its inflation target of 2.5 per cent or less.

The Bank's likely warning to Mr Kenneth Clarke, the chancellor, is underlined by the publication of independent reports today which show UK economic growth accelerating. They say the Bank's quarterly inflation report on Wednesday will come against the background of an economy recovering so quickly it threatens to lift inflation again.

Inflation, as measured by the retail prices index, fell in June to 2.1 per cent, its lowest rate for 30 months. Mr Clarke cut the base rate in June from 6 per cent to 5.75 per cent. It was the fourth cut since December and came against the advice of Mr Eddie George, governor of the Bank.

Barclays Bank says today that consumer spending has transformed below-average growth for the past year into "a much stronger output performance".

Recent economic weakness was confined to the manufacturing and construction sectors, it says. Wages and salaries are rising "comfortably" faster than inflation and the trend to higher consumer spending seems "soundly based".

Mr Alan Davies, Barclays' chief economist, says the increasing growth will demand government restraint. "Although underlying inflation should edge down from its current level of 2.8 per cent towards the authorities' target of 2.5 per cent or less, sustaining lower inflation will require cautious policies."

The strong pick-up in economic activity has reduced the likelihood of another cut in interest rates, and could even mean future rises in rates. "Our central view is that rates will rise to around 7.5 per cent next year," Mr Davies says.

Some support for Mr Clarke's policies comes from Oxford Economic Forecasting, which says current rates are "perfectly justifiable" given spare capacity in the economy and the recent strength of sterling. The real difficulties lie ahead over the response to rising growth.

"The concern of most commentators reflects not an unease with the levels of rates as they stand now but a worry that political imperatives will lead the chancellor to refuse to raise them later in the year if growth becomes too strong," it says.

Opposition mounts on university plan

By Richard Wolffe, Midlands Correspondent

Oxford University faces mounting opposition to its plans to build a leading business school after a £20m ($31m) donation by Mr Wafic Said, the Saudi Arabian entrepreneur.

Local councillors have joined the university's employees to raise strong environmental objections to the new Said Business School, which is scheduled to open in two years.

The building appears unlikely to gain approval from councillors as it would destroy a sports ground at the heart of the city, breaching planning guidelines on greenfield sites.

About 1,000 university employees and researchers are protesting against the construction of the management school on top of their sports ground, and plan to hand a petition to university leaders today.

Oxford council says approval for developing the sports ground could be granted only under "exceptional circumstances". Ms Stef Spencer, who chairs Oxford council's planning committee, said: "The planning department has already said that this site would be unacceptable. The fact that someone offers to donate £20m does not strike me as an exceptional circumstance.

"I do not wish to pre-judge this, but this is an extremely important sports ground used by employees of the university. It is an important green lung for the city."

The university is under pressure to build on the prominent, central site from Mr Said. The Syrian-born businessman, who has personal and commercial links to the Saudi royal family, wants the new school to be "at the heart of the city and the university". He rejected earlier plans to use his donation to extend Oxford's existing business school at Templeton College.

The university said: "We recognise the importance of this site both to the university and the city, but it does not have any planning status under planning law."

The centre of Oxford is one of the Green party's few electoral successes, at city and county council level. The project would also involve the demolition of the home of another councillor who sits on the planning committee. Mr Bill Baker is groundsman of the threatened sports fields, although he is unlikely to take any part in the planning debate.

University leaders must first win the approval of their own academics, at a meeting of their Congregation or "parliament" in November. The business school can proceed only if Oxford raises matched funding for the project.

Some dons have already raised objections to such a large investment in business studies, when more traditional departments have been forced to cut staff and leave posts unfilled in recent years.

Others have questioned the ethical policies of the university, after the controversial donation by Mr Gert-Rudolf Flick to fund a chair of European thought. The university returned the endowment three months ago, after it emerged that Mr Flick's grandfather had been convicted of Nazi war crimes.

Mr Mike Woodin, a psychology tutor at Balliol College and a Green councillor who represents central Oxford, said: "The university's ethics committee have vetted the donation by Mr Said but I think there are grounds for the university to examine whether they really want money from such a controversial source as someone who facilitates arms deals."

A Commons committee of inquiry was told that Mr Said was the agent for British Aerospace responsible for winning the Al-Yamamah defence deal in Saudi Arabia. He has denied receiving any commission from Al-Yamamah but has said he was involved in the "offset" programme through which BAe invested in Saudi construction projects.

Fergus Wilkie

Opposed: Wafic Said's £20m business school plan looks set to be thrown out by local planners on environmental grounds

Britain 'alone on 35 IGC issues'

By Robert Rice

Britain is in a minority of one on 35 issues under discussion at the Intergovernmental Conference, according to the European Policy Forum, a cross-party think-tank.

The issues on which Britain is isolated include the extension of qualified majority voting, the social chapter, the powers of the European Parliament and reform of the European Court of Justice.

On a further nine issues only one other European Union member state takes the same position as Britain. These issues include the UK's objections to boosting the role of the European Commission in foreign policy and its hopes to strengthen subsidiarity.

The European Policy Forum says the UK rejects 98 of the proposals on the IGC table, accepting only 50. That compares with 169 accepted by the European Parliament, 120 by Belgium, 117 by Spain, 103 by the Commission, 97 by Germany and 65 by France.

Germany is rejecting 29 proposals, France, 39, and Sweden, 42, the highest number of rejections by a Scandinavian member state.

The forum says it "seems unlikely" that these differences can be resolved within the present structures of the EU.

The cross-party group also looked at the impact of the UK's policy of non-cooperation in May and June over the beef ban. In all, 74 measures were temporarily blocked by the UK.

However, examination of the issues affected by the policy at Council of Ministers' meetings showed that many of the issues discussed were relatively insignificant.

That "undoubtedly helped to limit damage to Britain's image as a partner in the EU", the group says.

The forum argues that if its analysis is correct, some form of flexibility deal may be essential to secure stability of the EU.

A "Treaty implementing such an agreement would undoubtedly have significant constitutional effects for Britain, its partners and the EU itself, it says. In those circumstances it might well be constitutionally proper and desireable to hold a referendum.

"Not only might such a referendum guarantee to the public that it would have a direct say in a constitutionally important matter it might also concentrate the minds of the IGC negotiators."

Retailers 'more cautious' about overseas expansion

By Chris Brown-Humes

Retailers have become "distinctly more cautious" about overseas expansion and risk losing out to European and US competitors, a survey warns today.

"It could be argued that collectively British retailers are in danger of missing the boat or, by arriving late, they run the added risk of facing entrenched competition from earlier European or US entrants," says Corporate Intelligence on Retailing, the research company.

Recession and various well-publicised failures have helped inspire the more cautious 1990's mood.

But the report notes that retailers are continuing to invest overseas, although at a slower pace than in the 1980s. There are now 93 UK retailers trading outside the domestic market, against 71 five years ago.

Among the new entrants are Tesco, the supermarket chain, which has made acquisitions in France and eastern Europe in the past three years.

However, it shied away from a £2.5bn ($3.87bn) white knight bid for Docks de France, the French retailer.

The report shows that the UK and France are Europe's two largest retailing exporters. Four UK groups – Marks and Spencer, J. Sainsbury, Thorn EMI and Kingfisher – have overseas sales of more than £1bn a year. But some of the most active companies are specialist chains, such as Body Shop and Laura Ashley. Body Shop depends on overseas sales for 73 per cent of its revenue and Laura Ashley 52 per cent.

Mr Clive Grant, Corporate Intelligence's publications director, said saturation at home was the "push" factor favouring overseas expansion. The main "pull" was large, newly emerging markets such as eastern Europe, Turkey, East Asia and South America.

He suggested that groups from outside Britain were sometimes prepared to be more adventurous. The report says organic entry is the most popular way for retailers to expand abroad – but the most risky.

The next most popular is franchising, followed by acquisitions, concessions and joint ventures. It highlights 42 British retailers which no longer operate overseas or have pulled out of countries.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Allied Domecq A.D.R. $0.1789
Amber Indl Hldgs. 4p
Brit Petroleum 4.25p
Do. A.D.R. $0.958
Do. A.D.S. $0.958
Chubu Elect Power 6.25% Bds. '03 $312.5
Cons Co Bultfontein R0.425
De Beers Cons Mines 8% Cm. 2nd. Pf. R0.04
Eksportfinans 12.25% Nts. '96 Lire 612,500
Elect Data Processing 0.667p
Griqualand West Diamond R0.205
Hardys & Hansons 3.8p
Johnson Matthey 10.1p
Kansai Elect Power 7% Bds. '03 FFr700
Marubeni 4.6% Nts. '97 Y460,000
Do. 4.75% Nts. '98 Y475,000
Osaka Gas 8.125% Bds.'03 £81.25
Pall Corp. $0.01225
Refresh Tranche A FRN Y1,346,301
Do. Tranche B FRN. Y1,396,164
Safeway 8.7p
Salvesen (Christian) 5.15p
Severn Trent 3.84p
Unigate 12.55p
Yokohama 7⅜% Bds. '02 $73.75

■ TOMORROW

Adare Printing Ir2.986p
Brit Funds 7% Treas Conv. '97 £3.50
Do. 9% Treasury 2012 £4.50
Cable & Wire 8.75% Bds. '12 £461.81
Cater Allen 21p
Fleming Intl. High Inc Invs. Tst. 2.85p
Heath (C.E.) 3p
Intercare 0.7p
Kobe 7½% Bds. '02 $375
London Elect 27p
Policy Portfolio 4.5p
Staveley Inds. 6.7p
Tiger Oats 5.5% Cm. Pm. R0.055
Tokyo Elect Power 7⅝% Nts. '97 C$381.25
Tokyu Land 4.6% Bds '97 Y460,000
Wainhomes 3p

■ WEDNESDAY AUGUST 7

Baggeridge Brick 0.75p
Brad & Bingley Bldg. FRN. '99 £157.10
Brit Airways A.D.R. $1.8527
Caledonia Invs. 12.1p
Castings 3.09p
Driefontein Cons R0.95
Falcon Hldg. 3.5p
Gold Fields Coal R0.60
Henderson Am Cap. & Inc Tst. 1.8p
IVESCO Recovery Tst. 4p
Kloof Gold Mining R0.55
Mazda Motor FRN. '96 Y24,896
Do. FRN. (Nov '96) Y24,896
Ryan Hotels IR1p

■ THURSDAY AUGUST 8

Bass A.D.R. $0.2331
Crabtree 3.75p
Denmans Electrical 0.65p
Five Oaks Invs. 8⅝% Mort. Db. '19 £4.1875
Healthcare Ops B Mort. FRN. '21 £206.95
Ideal Hardware 6.6p
Intl Greetings 10p
Monks Investment Tst. 6.2p
Northern Foods 6¾% Conv. Sub. Bds. '08 £33.75
Powell Duffryn 17p
Renold 4.5p
Waddington (John) 5.4p

■ FRIDAY AUGUST 9

Barlo Grp IR0.6p
Birmingham Mid Bldg. Soc. FRN. '99 £157.10
BTG 4p
Coats Viyella 6¼% Sen. Conv. Bds. '03 £31.25
Dartmoor Invs. Tst. 3.8p
Electra Invs. Tst. 3.9p
Hogg Robinson 5.45p
Nova Scotia FRN. '99 $145.35
Rainford 5p
Regalian Props. 0.5p
RPC 2.6p
Tams (John) 2.41p
Versailles 0.195p

■ SATURDAY AUGUST 10

Brit Funds 9¾% Conv. 2001 £4.875
Readicut Intl. 2.81p

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Cater Allen Hldgs., 20 Birchin Lane E.C., 10.00
MS Intl., Doncaster Moathouse Hotel, Warmsworth, Doncaster, 12.00
BOARD MEETINGS:
Finals:
Filtronic Comtek
McKay Securities
Mid Wynd Inter. Dev.
PSIT
Save & Prosper Linked IT
Interims:
HSBC Hldgs.
Midland Bank
Telewest Communications

■ TOMORROW

COMPANY MEETINGS:
Castings, Forte Posthouse Hotel, Chapel Lane, Great Barr, Birmingham, 3.30
Compco, 1, Paternoster Row, St Pauls E.C. 11.00
Falcon Hldgs., Walker House, Boundary St., E. 3.00
Feedback, Winston Manor Hotel, Beacon Rd., Crowborough, East Sussex, 12.00
INVESCO Tokyo Tst., 11, Devonshire Sq., E.C. 10.00
BOARD MEETINGS:
Finals:
Benson Grp.
Williamson Tea Hldgs.
Interims:
Appleyard Grp.
Barclays
Capital Shopping Centres
Cordiant
CU Enviromental Trust
French Property
Kleinwort Overseas IT
Mercury Grosvenor Tst.
TR Pacific Inv. Tst.
Yorkshire Chemicals
Zeneca

■ WEDNESDAY AUGUST 7

COMPANY MEETINGS:
Northern Electric, City Hall, Northumberland Rd., Newcastle upon Tyne, 11.00
Racal Electronics, Waldorf Meridian Hotel, Aldwych, Strand, W.C. 11.45
BOARD MEETINGS:
Finals:
Crown Eyeglass
Interims:
Abbey National
Commercial Union
Edinburgh Oil & Gas
F & C Enterprise Tst.
GKN
Holliday Chemical
Liberty Intl. Hldgs.
Mercury World Mining
Metal Bulletin
Transport Dev. Grp.
Ward Hldgs.

■ THURSDAY AUGUST 8

COMPANY MEETINGS:
BTP, Intl. Management Centre, Finsbury Sq., E.C., 12.00
Court Cavendish, 20, Farringdon Rd., E.C., 12.00
Hornby Group, 1, Finsbury Ave, E.C., 11.00
Investment Trusts of Investment Trusts, Knightsbridge House, 197, Knightsbridge, S.W., 12.00
Kewill Systems, Shepperton Moat House Hotel, Felix Lane, Shepperton, Middlesex, 12.00
London Intl., Chartered Accountants Hall, Moorgate Place, E.C., 11.30
Scottish Pride, Forte Posthouse Hotel, Erskine, Renfrewshire, 11.00
BOARD MEETINGS:
Finals:
Break for the Border
Westminster Healthcare
Wyko Grp.
Interims:
Bensons Crisps
Coutts Consulting Grp.
Morgan Sindall
Rank Org.
Reed Intl.

■ FRIDAY AUGUST 9

COMPANY MEETINGS:
Latham (James), Leeside Wharf, Clapton, E., 12.30
Marstons, The Albion, Shobnall Rd., Burton-on-Trent, 10.30
BOARD MEETINGS:
Finals:
Eve Grp.
Interims:
CIA Grp.

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

SPORT

What price success?

Some doubt Newcastle's wisdom in paying £15m for Alan Shearer, writes Michael Thompson-Noel

Confirmation that England's Premiership division has become the richest, most alluring soccer competition in Europe could be discerned in the wry-bordering-on-sour reaction in Italy and Spain to Alan Shearer's 100-mile hop from one Premiership club, Blackburn Rovers, to another, Newcastle United, for a world record transfer fee of £15m ($23.3m).

The previous record was £13m, paid to PSV Eindhoven of the Netherlands by Spain's Barcelona earlier last week for Brazil's Ronaldo, and by Italy's AC Milan to Torino in 1992 for Gianluigi Lentini.

"Shearer: a record transfer in the now-richest European soccer league," was the headline in Italy's La Repubblica. However, El Mundo Deportivo, a Barcelona-based sports daily, wrung some merriment from Shearer's move, proclaiming: "Ronaldo is worth more." Its story suggested Shearer might flop at Newcastle.

Kevin Keegan, Newcastle's increasingly gung-ho manager, says he expects this week to reveal further details of Shearer's transfer, which might give sports analysts more to chew on. Incongruously, the fee paid by Newcastle drew a critical response from the kamikaze stars of Britain's tabloid sports desks – which showed how vulnerable Keegan would be if Shearer proved a disappointment.

The new season starts on August 17. If Shearer's form at Newcastle is deemed by the kamikazes to be worth a penny less than £15m, stand by for explosions. But how many goals will he have to score to satisfy?

Keegan has not done badly at Newcastle. He just hasn't won anything. Yet his spending on players totals £51.6m. Shearer's £15m was twice what Keegan paid for Colombian Faustino Asprilla last season. Les Ferdinand cost £6m, Warren Barton £4m, David Batty £3.75m. Seven of Keegan's purchases cost £1m-£2.7m. Only two, John Beresford and Robert Lee, cost less than £1m. Unless Shearer slots effortlessly in at Newcastle, the knives – already out – will cleave the Tyneside air.

Gary Bowers, a Blackburn fanatic – he lives near the ground, is vice-chairman of Rovers' Independent Supporters' Association and has watched the team's games for 30 years – has mixed feelings about Shearer's departure. "While we owe Alan Shearer a lot," says Bowers, "we were not a one-man team as people have made out. Blackburn Rovers will carry on – it is not Shearer Rovers. He's been great for us and I wish him well. But I honestly can't see Shearer reproducing the same form on Tyneside. Alan and Kevin Keegan will be under more pressure than any player or manager in history to win something."

While the size of Shearer's transfer fee infuriated the kamikazes, it delighted the bookmakers, who said the move had galvanised pre-season soccer betting. Sports betting, as distinct from betting on horse or dog races, is now big business. This comforts Britain's bookies, who have seen the volume of horse race betting eroded by competition from the UK's national lottery.

However, value-seekers should ignore current Premiership odds, at least as far as the top three teams are concerned. Among the Big Three bookies (Coral, Hill and Ladbroke), champions Manchester United are a best-quoted 2-1 at Coral. Newcastle are 5-2 (Ladbroke) and Liverpool 7-2 (Coral and Hill). There is no room there to swing a cat. As the season progresses better odds will become available, if only fleetingly.

Each-way bettors, on the other hand, might want to ponder Aston Villa (20-1), Chelsea (25-1), Blackburn (33-1) and Middlesbrough (50-1). Or not.

■ There was some soul-barring last week in Kungsbacka, Sweden (by golf's Colin Montgomerie) and in Los Angeles (by tennis's Michael Stich). Montgomerie, the world No 2 and Europe's top golfer for the past three years, has won more than £6m in prize money worldwide since turning professional in 1987. But, while limbering up for the Volvo Scandinavian Masters, he admitted he had never given his best in competition.

"I have never been a great man for practising," said the Scot, "so I have never given more than 90 per cent to my golf. Now I aim to put in 100 per cent by practising far more. This should help me to be a better golfer and more settled in my mind. If I give of my very best, that is all I can do. After I had played a golf round I used to go straight back to the hotel."

Montgomerie was greatly taken aback by his failure to survive the halfway cut at the British Open recently. Even before that, his reputation as the best golfer in the world never to have won a major title had been gnawing at him.

He said it was important he did not put on weight again. "But don't expect miracles overnight. This is a long-term procedure." This week Montgomerie plays in the US PGA tournament in Louisville, Kentucky – giving, we must hope, 91 per cent or better.

In LA, Germany's Michael Stich was as frank as Montgomerie after losing 3-6 4-6 to Australia's Scott Draper in the first round of the Infiniti Open. "I have no excuses," said the fourth seed crisply. "I played terrible and he didn't play much better. He just got a couple more shots and won." This sort of thing could catch on. Perhaps Britain's returning Olympic Games squad – only modestly burdened by medals – is planning a day of public penance.

■ The men who run sports clubs know a lot about tactics, strategy – and caution. Alistair Hood, for example, is the security chief at soccer's Glasgow Rangers, and has tried to quell fears about this month's visit by Rangers to ravaged Chechnya.

On August 21 the Scottish champions play Alania Vladikavkaz in the away leg of a Champions League preliminary round. Rangers host the Russians in the home leg at Ibrox in two days' time and are hoping to strike it rich, even though Paul Gascoigne is banned for both legs.

Hood has visited Vladikavkaz, and insists: "As far as the war there is concerned, I understand the fighting is 50 miles east of Vladikavkaz. I was told [that] if it is to spread, it would spread eastwards."

Eastwards ... westwards. One trusts nothing got flipped in translation.

Alan Shearer (No 9): to avoid the tabloids' ire, he must step cleverly at Newcastle United

Colin Amery • Architecture

Building on the freedom of the city

In a recent interview in Perspectives on Architecture magazine, Michael Cassidy, departing chairman of the policy and resources committee of the Corporation of London, announced he was against any form of strategic planning in the City of London. In his view, any masterplan delayed things and inhibited a "free and open approach to planning".

There spoke the voice of *laisser-faire*-man. Cassidy could have been one of those who thwarted Christopher Wren's magnificent plan for rebuilding the City after the great fire of London in 1666 because it didn't follow existing street patterns.

This free and easy approach is one of the reasons that Britain's cities are not full of grand visions, but reflect the general muddle of our lives. London is a free-for-all, and Cassidy would say that this is why it works.

He also makes clear that, as he is the servant of one of the world's financial centres, he is as concerned to ensure that the insides of new buildings work well for the occupants as he is about external appearances. But he also wants those who build in the City to be encouraged to commission the best architecture.

He should be delighted with a proposal being promoted by the British Land Company for the replacement of Plantation House on Fenchurch Street. A planning application is on the table for 100,000 sq m of office space in a new building designed by Arup Associates. This firm has more than once won the Financial Times architecture award and has a reputation for creating serious modern buildings that are often innovative in their engineering and services.

To replace Plantation House, James Burland of Arup plans a great glass spiral at the heart of a group of three buildings. He is rightly keen to make a contribution to the City's skyline with an elegant glass tower. In this part of the City there are no conflicts with the rules that govern views of Saint Paul's Cathedral, so there is no reason why this handsome stepped structure should not be higher than its proposed 25 floors. In fact, architecturally it seems to demand more height. There is a demand for higher buildings in the City, and no reason why they cannot be built.

In the City today, the controls on through traffic – made necessary by terrorism – have made it a much more agreeable place for pedestrians. The new proposals for Plantation House bring considerable life to the public levels and encourage pedestrian activity. There will be a handsome glass galleria lined with shops and cafés. The setting of the Wren church of St Margaret Pattens will be affected by the development, but it should be for the better as the new designs are light and reflective and will not overwhelm the church.

This is important: there has been a church on the site for more than 900 years. Wren's spire for St Margaret's is tall, polygonal and covered in lead. It looks like an early example of medieval revivalism and its setting must be enhanced by any new building. Wren would surely have built high in the City if he was building today, and I suspect he would have admired the ingenuity of Arup's proposals.

BUSINESS TRAVEL

Travel News • Roger Bray

Pan Am is reborn

The Pan American name will be flying again by early September as a new company bearing the old name takes to the air.

Initially it will stick to routes within the US, starting with flights from New York to Miami and LA. It plans to add San Francisco, Chicago and San Juan, Puerto Rico. The new airline's A300 Airbuses will sport the same paint job as aircraft operated by the old Pan Am, which finally bit the dust in 1991 after a long and painful decline. Its name has been bought for $1.3m (£844,156) by Martin Shugrue, once vice-chairman of the original company.

Bump in the flight

The European Commission is to review rules compelling airlines to compensate passengers bumped off over-booked flights. Consumer groups believe one question badly needs settling: should the amount carriers pay bumpees relate only to that part of a journey on which the over-booking occurs, or should it reflect the total time wasted by passengers in reaching their final destinations? The Air Transport Users' Council, a UK consumer watchdog, believes the whole journey should be taken into account. Clarification is important because compensation, calculated in Ecus, increases both with the length of trip and the delay.

The rules apply not only to EU-based carriers but to airlines flying in and out of member states.

Dengue fever alert

Malaysia has been hit by an outbreak of dengue fever. The disease, for which there is no immunisation, is carried by mosquitoes and occurs mostly in densely populated areas. With an incubation period of between five and eight days, it can be extremely unpleasant. However, the more severe haemorrhagic variety can be fatal. The disease is affecting the Kuala Lumpur area and the states of Selangor, Johor, Perak, Pahang and Penang.

London's Berkeley Travel Clinic says the disease is also a problem in Indonesia and central America. The clinic recommends using a deet-based repellent, or one combining deet and permethrin. Travellers are advised to contact a doctor if they experience 'flu-like symptoms.

Good news on perks

Perks for air passengers flying from the UK, such as limousines to the airport, have been exempted from value added tax. However, celebration would be premature, for the exemption is only on a trial basis.

Officials have agreed with the airline industry that such extras may be treated as an integral part of transport, which is zero-rated. Such extras must be covered by the ticket price.

Increase for Africa

African airports showed the biggest increase in passenger traffic during the first three months of this year, according to Airports Council International. A rise of 11.6 per cent was recorded by the Geneva-based organisation's 32 member airports in the region. Europe saw an increase of 9.4 per cent, equivalent to nearly 14m more travellers.

UK trips rise

Business travel in England rocketed last year. The number of overnight trips rose 18 per cent to 12.6m, generating total spending of more than £1.6bn, says the English Tourist Board. The figures refer only to domestic business travellers, not those arriving from abroad.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	31	30	32	31	33
London	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frankfurt	25	27	24	25	25
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L Angeles	24	28	27	33	34
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	29	25	22	24	25
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Information supplied by Meteo Consult of the Netherlands. Maximum temperatures in Celsius

Almaty adventure

A trip to the capital of Kazakhstan can be a challenge but there are some bargains to be had in rugs, finds Gary Mead

You can tell much about a country from its visa. Kazakhstan's pale blue affair sports almost as much information as the passport itself. Embossed with a shining silver circle that glints, rainbow-like, the visa squats on nothing less than a whole page. It says: "I'm important. Well – trying to be..."

The business traveller accustomed to cossetting should not lightly undertake a trip to Kazakhstan. The size of western Europe – 2,000km west to east, and another 1,000km north to south – Kazakhstan is one of those former USSR plc subsidiaries that was utterly neglected by head office.

Few countries are as vast, or as vastly under-populated – its population is 17m – and fewer still have such a badly neglected infrastructure. But with its huge mineral wealth, Kazakhstan will be popping up in many more electronic diaries.

Some tips: Kazakhstan is so remote that just getting there takes a solid day of flights from western Europe. Perhaps the most civilised means is via Frankfurt, where a Lufthansa flight departs late morning and take you direct to Almaty, the capital, arriving at about 1.30am local time. Once in Almaty you must shift into Silk Road mode.

"Try to get on the airport bus marked 'VIP'," a helpful expert from the European Bank of Reconstruction and Development advised me before departure. "Otherwise it takes you hours to clear immigration and customs."

Being greeted by local officials with clout is Rule 1 of the Almaty adventure. On arrival we were plucked up by a mother hen who shooed us through a separate entrance of the airport. There we stood – no seats available – for two hours. We were lucky. Miserable non-VIPs normally need twice as long to get their page-size visa.

An adjunct to Rule 1 is to *ensure that your hosts get* your visa officially "validated" during the course of your stay. This is an obscure bureaucratic process, without which you might incur a $100 (£65) "fine" on leaving.

Rule 2: don't stay anywhere but the Rachat Palace Hotel. There are other places, of course, but they are not recommended. The Rachat, part of the luxury-inclined Austrian Marco Polo chain, is splendidly comfortable, has efficient multilingual staff, and is the hub of business contacts.

There are downsides. At $300 a night for the room, you will not wish to linger. And the hotel's restaurants serve indifferent food. You will be unable to escape paying much less than $50 a head for tough meat and strange flavours. Vegetarians are not exactly banned, merely destinedfor disappointment.

Rule 3: exercise caution when venturing into Almaty after dark. At the last count Kazakhstan had about 60 different TV stations. One of them occasionally features a capital entertainment: the execution, by pistol to the back of the head, of criminals, *pour encourager les autres* no doubt.

But the others seem little encouraged, and locals *regard after-dark strolling in* Almaty as hazardous for themselves, never mind ostentatiously wealthy strangers. Not that perambulation at any time is easy. The only street map available is a highly schematic, not-to-scale production, free from the Rachat's reception desk.

Rule 4: unless you speak Russian or Kazakh, ensure that any taxi you take is booked through your hotel reception desk, and that the price and other salient matters are mutually agreed beforehand. On Almaty's streets there are many roving taxis, official and otherwise, but jumping in one is most unwise. At the very least you may find yourself being charged an inordinately large sum at your destination – too late to argue the toss.

Similarly, when arriving at the airport on your way home, do not hire baggage handlers without first stipulating exactly how much you will pay. One of our party neglected this rule: it cost him $40 to have two bags carried 300 paces.

Rule 5 will be familiar to seasoned travellers – watch your stomach. Business meetings and banquets will almost always be rounded off with a host of toasts by hosts. Imported Greek brandy seems the preferred slosh of senior government officials, though unaccommodating Italian wine is also favoured.

Do not be intimidated by dire warnings from lesser travellers that you will be required to consume quantities of *kumiss*, fermented mare's milk. In the sort of circles you are likely to frequent, this local delicacy is increasingly viewed as *outré*. It is unwise to snack on the local street-roasted kebabs, succulent though they smell. Stick to bottled water, unpeeled fruit and go easy on the salads – not difficult if you stay at the Rachat.

Equally familiar is Rule 6, which is – relax and enjoy. Whether from bureaucrats or humble citizens, the friendliness and hospitality shown to visitors is impressive. It is like being swept up in a bear-hug. This is a developing country, and visitors from supposedly developed nations are, generally, accorded considerable esteem and valued for their imagined expertise. Even the street sharks smile as they try to pull a fast one.

No trip to Kazakhstan is complete without finding and buying a splendid, locally produced handwoven carpet. There are some beautiful modern examples to be found – exportable so long as the correct paperwork is obtained. If you are really fortunate you will find a local dealer called Mokhtar, who can handle the export arrangements. Mokhtar has some wonderful 3 x 2m rugs for an absurdly cheap $250.

But Rule 7 comes into play here. If, somehow, you manage to track Mokhtar down – the ingenious business traveller will easily work out how – don't boost demand and increase prices by telling others where he lives.

Inspass is at last being extended, says Amon Cohen

Handy way to bypass US queues

Good news for exasperated business travellers to Miami – legendary for some of the worst immigration queues of any north American airport. This month the Florida gateway becomes the first beneficiary of an extension of the Inspass rapid immigration system.

Inspass allows travellers to clear immigration by passing an identity card through a reader. The card uses the science of biometrics and contains an image of the traveller's hand. Users confirm their identity by placing their hands on an adjacent scanner to match the stored image. Following confirmation, the machine issues a receipt and the traveller can move through to customs.

The system has been on trial for three years at New York's JFK airport and at one terminal at Newark, while a similar experiment has been in progress in Toronto since the start of this year. Now Inspass is to be introduced at one north American airport a month to the end of the year. Miami will be followed by Vancouver, Houston, Los Angeles and Honolulu.

Graham Atkinson, United Airlines' Atlantic division vice-president, greets the news enthusiastically. "It takes 20 minutes to register, but it is extremely worthwhile," he says. "I know a dozen frequent travellers who use the system and talk glowingly about how it has eliminated immigration queues for them."

Immigration biometrics are set to spread. British Airways says there are plans to introduce similar systems in the UK, Germany, Canada and Australia. However, BA is concerned that despite the best efforts of the International Air Transport Association to set a world standard, the varying systems might not be compatible.

That could leave travellers having to apply for a separate biometric card for each country that introduces the technology.

"We are asking for a single card scheme for all those countries," says BA.

THIS WEEK

Russians count on global warming

Western scholars have employed various ways to try and prise open the mystery that is Russia. Kremlinologists once scanned the fine print of the Soviet press and the line-up atop the Lenin mausoleum on parade days to fathom out who was in or out.

Other scholars fixed on Russian leaders' hairstyles as a means of spotting future political stars. It is an oft-noted fact that bald Bolshevik leaders – Lenin, Khrushchev, Andropov, Gorbachev – have alternated with hairier ones – Stalin, Brezhnev, Chernenko, Yeltsin.

Strangely, one obvious influence on Russian politics has been neglected: the weather. It could well be that the barometer is the best way of measuring political pressures in the Kremlin and predicting the swings between reform and reaction.

That master meteorologist, Boris Yeltsin, who will be inaugurated as president on Friday, appears well versed in the theory, swinging between hardline and liberal policies depending on the climate. He has spent the last two winters launching an assault against the separatist region of Chechnya and ditching his most liberal ministers. But his two presidential election victories came in the summer when he has been at his most democratic and the electorate at its most benign. A man for all seasons, of sorts.

Arguably, the political pattern for the century was set in November 1917 when the Bolsheviks stormed the Winter Palace and seized power, forever identifying themselves with snow and ice. Every November thereafter, the communists celebrated their

DATELINE

Moscow: The weather is the best guide to Russian politics, for in summer the Kremlin's fancy turns to thoughts of reform, writes **John Thornhill**

revolution and reaffirmed Soviet power by sending tanks trundling through Red Square on bleak winter days.

For many other Russians, winter is associated with reaction and repression, especially for the millions despatched to the gulags in the 1930s.

By contrast, the balmy summer months have been far happier times for Russian democrats. In the popular consciousness reform is linked with the end of winter, whether it was Khrushchev's de-Stalinisation drive, known as The Thaw, or the Prague Spring of 1968 in Czechoslovakia which tried to re-invent communism with a human face.

At various times, communist leaders tried to expropriate the summer for propaganda, though it never really worked, as shown in an exhibition of totalitarian art at Moscow's Pushkin museum. A giant painting of a jolly white-suited Stalin and fellow Politburo members playing with children on a summer's day appears ridiculous, and Russians chuckle at the incongruity.

Whether Russian politicians are hardliners or democrats, they ignore the natural seasons at their peril. The Bolsheviks failed to seize power when they prematurely launched a coup attempt in summer 1917. Hardline communists were unable to roll back reform when they ordered the tanks into Moscow in August 1991. But badly timed democratic uprisings have also crumbled. A group of dissident aristocrats known as the Decembrists, which staged a protest against Tsarist authoritarianism in December 1825, was swiftly crushed and sent to Siberia.

A moment's reflection explains why this strong seasonal political pattern holds true. Anyone who has visited Russia in the interminable winter can understand why people might then resort to violent solutions to problems. When blizzards start and daylight evaporates early, a grim mood settles in. Shop assistants grow grumpier. Feet disappear into icy potholes. Coughs and colds multiply. In despair, Russians resort to the vodka bottle and the *banya* (a ferociously hot bathhouse) to provide internal and external warmth, and often to political extremism for ideological comfort.

But Russia is another country when spring lights up the land. Cares are tossed aside as easily as clothes on Moscow's river beaches. Poets wax lyrical. Teenagers fall in love. The urban population decamps to country dachas to pickle cucumbers. Even hospitals shut for summer holidays in the strange belief that no-one falls ill then.

But perhaps this seasonal pattern is starting to fade. Thousands of rich young Russians now leave the country in winter to soak up the sun abroad. And global warming could complicate things enormously.

But wily investors have detected that the sharp seasonal swings in political mood are now reflected in Russia's fast-blossoming capital markets. Shares in Russia's biggest companies fell sharply between last November and March, but staged a rally in the spring before Yeltsin's electoral victory. Some might say this is a fitting indicator of the victory of capitalism over communism. But perhaps it really is just the weather.

PEOPLE

GKN: David Lees' long goodbye

The group's veteran chairman has always been more than a numbers man. He is a tough and determined strategist, reports **Tim Burt**

Sir David Lees, the gentlemanly accountant who heads GKN, is hoping to spend more time on the terraces of the Gay Meadow football ground. Although a passionate fan, the chairman of one of Britain's largest engineering groups admits that Shrewsbury Town has not received his full attention in recent years.

Sir David, reputedly a fearsome tackler in his own playing days for the Old Carthusians, feels the same way about the lowly second division side as he does about GKN. "I'm very loyal and have stuck with them through all the bad times," he says.

Unlike Shrewsbury Town, however, Sir David this week expects to reveal another championship performance from GKN, with first-half profits forecast to rise from £162.6m to about £175m-£180m.

Wednesday's results announcement will be his last as executive chairman of the group. But for C. K. Chow – the Hong Kong-born businessman headhunted from BOC earlier this year – it will be a first outing as chief executive-in-waiting.

For the past month Chow has been finding his way round GKN's head office, a rather smart town house next to London's St James's Palace. But he will not take over Sir David's office – one GKN insider calls it the state room – until some time after Christmas.

Only then will Sir David officially split the roles of chairman and chief executive, moving to the less grand headquarters of Courtaulds, the chemicals group where he became non-executive chairman last month.

"Moving out will give C.K space and freedom of movement, and I'm confident he will take it," he says. But some industry analysts predict the veteran GKN chairman will find it hard to say goodbye. They point out that Sir David will remain as non-executive chairman for three years. And some believe his influence will weigh heavily on the company for which he has worked since 1970.

"Chow will have virtually no natural authority," says one leading engineering analyst.

That is a view rejected by Sir David and several of his boardroom colleagues. The chairman maintains that his future role will be to manage the board, not the company. There are, he adds, plenty of other demands on his time.

These include a non-executive directorship at the Bank of England, membership of the CBI finance and general purposes committee, and the presidency of the Society of Business Economists, among many others.

Some City of London critics claim his stack of worthy fellowships, presidencies and trusteeships has been accumulated with one eye on a peerage. Such suggestions would greatly embarrass the GKN veteran, who says many of his appointments came more by luck than by design.

He does not wants to be judged on his *Who's Who* entry, but by his record in transforming a one-time metalbasher into a global supplier of automotive components, industrial distribution services and defence equipment.

Brian Walsh, who succeeded Sir David as GKN finance director before being poached by TI Group three years ago, believes Sir David's elevation to the top job in 1988 marked a watershed for GKN. "The share price had not done much for a few years, and then David started making some very important changes," he recalls.

Monthly performance reviews were introduced in every business and management subjected to more intense scrutiny. Financial controls were tightened, and greater emphasis was given to generating free cashflow.

More importantly, perhaps, Sir David decided to focus on three core businesses: manufacturing constant velocity joints on the automotive side; building up a worldwide pallet-hire business, Chep; and developing a strong presence in defence equipment. Plans to withdraw from non-core businesses such as steel were accelerated, while investment in emerging markets rose rapidly.

The workforce, which had fallen from 95,000 in 1980 to 38,000 when Sir David became chairman, has been trimmed by a further 7,000 to its present level.

It was not an easy time. Profits fell from £214.8m to £172m in 1990 and to £69m in 1991, while the share price stagnated. "It was tense in the early days when we weren't doing very well," says Sir David. "As a new boy in the top job, I just had to buckle down and get out of the businesses where we were too small."

One long-time GKN follower describes his style in the early 1990s as "management by shout". Brian Walsh is more circumspect. He admits the GKN boardroom was known for "lively debates", but says the abrasion produced successful results.

"Tough decisions had to be made, and that's when David showed he was much more than just a numbers man," says Walsh.

According to his critics and supporters alike, Sir David proved his strategic abilities by stalking and winning control of Westland, the helicopter maker, for £577m in 1994.

"The timing and price paid on that deal exemplified his first class corporate vision," says John Parker, chairman of Babcock International and GKN non-executive director. Contributions from Westland coincided with increasing demand for automotive components and industrial pallets to propel GKN's annual pre-tax profits from £98m in 1993 to £200m the following year and to £328m in 1995.

Profits this year are expected to exceed £360m and break the £400m barrier in 1997. The share price, moreover, has climbed from about 250p to more than 1000p during Sir David's tenure.

"As things have improved he has become much more affable and relaxed," says a senior industry observer. "Now you get a glimpse of the boy behind the man. Underneath, the football fan is quite a fun guy."

Sir David wants to be judged on his talent, not his Who's Who entry

NAMES IN THE NEWS

Jarvis adds body to Whitbread's retail strategy

Peter Jarvis, 55, chief executive of Whitbread, has not had much need of his geography degree from Cambridge University, writes Scheherazade Daneshkhu in London. He has been at Whitbread for 20 years, and before that he spent 12 years at Unilever, the Anglo-Dutch foods-to-detergents group.

Approachable and level-headed, Jarvis is regarded as a far-thinking strategist. His time at Unilever was spent in marketing and sales management, and he was group marketing director at Whitbread before becoming chief executive in 1990. This background has helped him focus the group's attention on its retail brands. His experience has also won him non-executive directorships at Rank Organisation, Burton Group and Barclays Bank.

Jarvis is credited with redefining Whitbread as a retail leisure company, de-emphasising the brewing side. Jarvis also decided to sell Whitbread's wines and spirits division to what was then Allied-Lyons in 1989. He was one of the first in the business to react to dwindling beer sales by moving into family-oriented pub-restaurants with Brewers Fayre and Beefeater.

Casual dining restaurants in the form of TGI Fridays and Pizza Hut followed, and last week's £133m acquisition of Pelican, owner of the Café Rouge restaurants and Dôme bars, has plugged a gap for Whitbread in what Jarvis describes as the "urban casual dining" market.

The acquisition is the latest in a year-long £500m spending spree on leisure acquisitions, which include the UK franchise to Marriott hotels; David Lloyd Leisure, the tennis and health club business; and the Costa Coffee shops.

Jarvis has been criticised for overpaying for some of these businesses, particularly David Lloyd. But he says the premium paid was to make up for the years it would have taken to catch up to speed in a fast-growing market.

Critics of the company's performance say it is better to be a customer of Whitbread – or to work for it – than to be a shareholder. "Whitbread is one of the pub companies with the best training and it looks after its employees well. That comes from Peter Jarvis. He sets the tone," said one analyst.

Schmidt-Chiari in central Europe push

Guido Schmidt-Chiari, boss of Austria's Creditanstalt-Bankverein, is one of the great survivors in Austrian banking, writes William Hall in Vienna. In a country where bank chairmen are often picked for political connections rather than their lending skills, the 64-year-old Schmidt-Chiari stands out as a professional of the old school.

In the top job since 1988, Schmidt-Chiari aims to rebuild the bank's former overseas banking network in old markets such as Hungary, the Czech Republic, Poland, Slovenia, Slovakia and Poland. The strategy is driven by a need to diversify away from Austria's domestic market, where margins are under pressure. Last week the bank announced a 21 per cent jump in operating surplus, to Sch3bn (£185m), which suggests the push into central Europe is paying off.

Creditanstalt's results strengthen his hand in the negotiations over the sale of the Austrian government's stake. That Schmidt-Chiari has hung on through more than five years of negotiation suggests he is determined to continue until his retirement in 1998. By then he should have settled the future once and for all.

Stephanie Flanders · Economics Notebook

Some history lessons for Emu

The details of Emu will be less vital than the growth that goes with it

Talk to European policymakers and bankers these days and they will tell you that they have stopped wondering whether European monetary union is going to happen – it will. The devil now, they add knowingly, will be in the details.

Almost overnight the markets have a thirst for Emu arcana: everything from the legal status of pre-1999 Ecu-denominated contracts to the precise terms of entry to the new "trans-European automated real-time gross settlement express transfer system". The obsession with such details is understandable. Some banks could have millions of Euros at stake in getting the currency transition right. Although some of the key decisions will not be taken until 1998, ministers and officials are promising to have hammered out the basic technical logistics of the changeover to the Euro by the end of this year.

But policymakers have another reason for wanting to spend hour upon hour debating such matters: it helps keep their minds off the more fundamental questions about Emu, which they cannot yet answer.

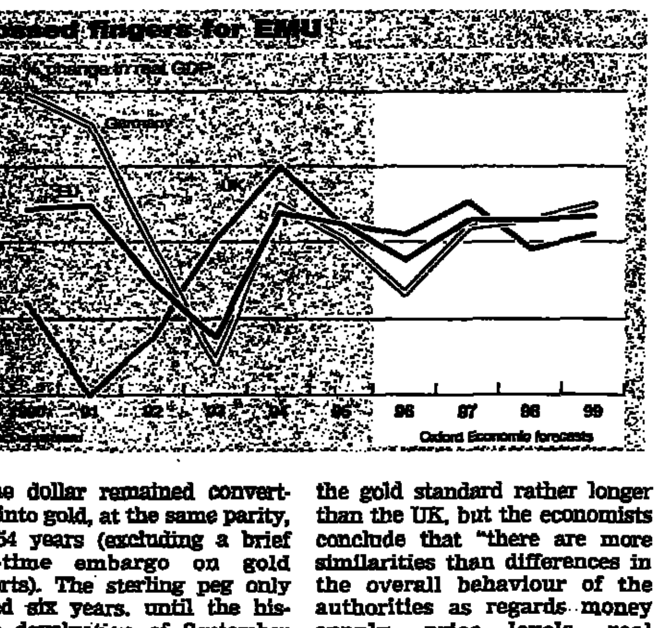
Of course, one such issue – which countries will take part in Emu – *is* widely discussed by everyone else. But less often mentioned is a second factor that will be every bit as important to the passage to Emu. This is the state of the European economy when the transition takes place. The crises in the European exchange rate mechanism during the long recession of the early 1990s were a vivid example of the trouble governments can have in keeping their exchange rate promises when their economies grind to a halt.

Single currency enthusiasts say that the commitment to Emu is completely different, and they have a point. Strictly speaking, neither the ERM nor the post-war Bretton Woods system of fixed-but-adjustable exchange rates involved the kind of long-term commitment to a fixed exchange rate implied by Emu.

Yet two US economists, Michael Bordo and Tamim Bayoumi, recently decided to re-examine the US and UK experiences of rejoining a system which bears a stronger similarity to Emu – the gold standard.* Their conclusions ought to unsettle anyone who believes the single currency will stand or fall on the details of its introduction.

Bordo and Bayoumi compare the US return to the gold standard in 1879 with the UK's experience of returning to the system in the 1920s. As they note, the two re-entries were handled in very different ways. In the US, both the parity and the timing were set well before the event. In the UK, the approach was reminiscient of the ERM experience.

Although the monetary authorities in London announced their desire to resume gold convertibility as soon as possible after the first world war, they were reluctant to commit to a firm date or a set of policies to achieve it. Instead, they adopted a 'wait and see approach' and eventually announced an overnight return to the system on April 28 1925.



The dollar remained convertible into gold, at the same parity, for 54 years (excluding a brief war-time embargo on gold exports). The sterling peg only lasted six years, until the historic devaluation of September 1931. The entire interwar gold standard collapsed shortly afterwards.

With the Emu comparision in mind, the theorists ask whether the contrast in outcomes can be traced to differences in strategy or to external economic factors beyond the authorities' control.

Bordo and Bayoumi find that the so-called policy fundamentals were broadly similar in each country before, during, and after the return to gold. Both the US and UK had suspended convertibility at the start of an immensely damaging war which involved exceptionally high rates of monetary expansion and public borrowing. The US stayed off the gold standard rather longer than the UK, but the economists conclude that "there are more similarities than differences in the overall behaviour of the authorities as regards money supply, price levels, real exchange rates and fiscal policies".

There was a sharp contraction in the money supply immediately after the war in both the US and the UK, after which it was left broadly constant. Balanced budgets were followed and domestic prices fell in the lead-up to re-entry so that the real exchange rate, in each case, was close to its pre-suspension value when the governments decided to re-enter.

The crucial difference was in the real economy – at home and abroad. The 1860s and 1870s were a prosperous time for the US and the world outside, and there was fairly rapid growth in real output before and after the return to gold. But for the UK the 1920s was a period of anaemic growth and two outright recessions.

As John Maynard Keynes argued at the time, monetary and exchange rate policies deserve some of the blame for this poor UK performance. Yet at least with regard to the post-1924 period, the authors conclude that this was much less important than the hostile external environment which the UK had to deal with when it rejoined the system. The world economy was coping with the aftermath of the first world war, persistent recessions and a messy and an uncertain international trading regime, all of which culminated in the onset of the great depression and collapse of the gold standard.

The lesson the economists draw is that "tactics – announcing and setting the parities, timing the entry, and following consistent macroeconomic policies – may be less important than fundamentals such as the underlying path of output growth" in treading a successful path to Emu.

The pressures which have built up as a result of Europe's recent poor growth may not be of the same order as the horrors of the great depression. But it is here, rather than in the details of Emu, that the devils are going to be found.

**Getting pegged: Comparing the 1879 and 1925 Gold Resumptions* National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge MA 02138, US

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.08.96 Pool purchase price £/MWh	Final Prices for Trading on 07.07.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	8.93	10.90
0100	8.96	8.90	8.90
0130	9.00	8.88	8.88
0200	8.85	8.88	8.88
0230	8.86	8.88	8.88
0300	8.85	8.88	8.88
0330	8.86	7.00	7.00
0400	8.85	7.00	7.00
0430	8.85	7.00	7.00
0500	8.85	7.00	7.00
0530	8.85	7.00	7.00
0600	8.85	7.00	7.00
0630	8.85	7.00	7.00
0700	8.85	8.86	8.88
0730	8.89	8.88	8.88
0800	8.86	8.89	8.89
0830	9.00	8.90	8.90
0900	9.35	10.34	12.31
0930	9.35	12.68	14.63
1000	9.50	13.71	15.69
1030	20.47	18.65	20.62
1100	15.54	19.91	21.88
1130	20.47	30.48	32.45
1200	20.47	30.48	32.45
1230	20.47	37.93	39.90
1300	20.47	37.93	39.90
1330	20.47	37.93	39.90
1400	20.47	19.91	21.88
1430	9.50	19.58	21.55
1500	15.54	13.71	15.68
1530	9.50	8.95	8.95
1600	9.50	17.65	19.62
1630	9.35	17.65	19.62
1700	9.35	17.65	19.62
1730	9.50	17.65	19.62
1800	9.50	17.69	19.62
1830	9.50	17.65	19.62
1900	20.70	17.65	19.62
1930	9.01	17.65	19.62
2000	9.01	8.95	8.95
2030	9.01	17.65	19.62
2100	20.70	8.95	8.95
2130	23.90	17.65	19.62
2200	27.92	31.21	33.18
2230	27.92	42.42	44.39
2300	21.75	42.42	44.39
2330	15.54	13.71	15.69
2400	9.50	12.66	14.63

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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0030	9.02	8.91	8.91
0100	8.89	8.89	8.89
0130	8.89	8.88	8.88
0200	8.89	8.88	8.88
0230	8.89	8.88	8.88
0300	8.95	8.88	8.88
0330	8.95	8.88	8.88
0400	8.95	8.88	8.88
0430	8.96	8.87	8.87
0500	8.95	8.87	8.87
0530	8.95	8.88	8.88
0600	8.95	8.88	8.88
0630	9.01	8.90	8.90
0700	9.04	9.00	9.00
0730	13.34	16.44	17.58
0800	17.48	17.91	19.23
0830	17.29	20.92	22.59
0900	19.21	23.79	26.30
0930	21.97	27.30	30.75
1000	38.74	30.55	34.84
1030	37.71	35.18	40.43
1100	28.38	50.13	56.25
1130	38.97	56.83	63.71
1200	38.78	70.00	77.32
1230	37.84	67.97	74.71
1300	26.15	63.31	68.94
1330	23.92	31.39	35.65
1400	22.84	26.09	29.60
1430	22.33	25.63	29.02
1500	22.25	24.81	27.98
1530	22.46	24.98	28.25
1600	23.56	25.84	29.50
1630	25.54	42.36	46.48
1700	56.91	42.27	46.31
1730	55.41	38.17	42.37
1800	52.31	21.43	23.62
1830	19.18	18.39	19.84
1900	17.47	17.63	18.82
1930	17.78	17.51	18.68
2000	16.53	16.94	18.07
2030	9.08	16.93	18.07
2100	23.44	16.93	18.07
2130	30.98	18.55	19.68
2200	30.98	20.67	21.80
2230	30.98	20.67	21.80
2300	17.82	20.68	21.80
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MANAGEMENT

Peter Marsh on why some companies are investing in German factories despite recent trends

When it pays to go against the flow

Dan Griffith, president of Bridgeport, a US machine-tool company, was left almost speechless by a transatlantic phone call early last year. The head of Bridgeport's European operations had rung to say he planned to buy a German factory.

The president's reaction was predictable. High labour costs and restrictive workplace regulations mean that many international companies are shifting production operations out of Germany – either by shutting plants or employing subcontractors in cheaper locations.

After explanation, however, the proposed venture began to make sense. The company was planning to buy at a knock-down price one of Europe's most advanced machine-tool factories, in a move adding vital manufacturing capacity and taking it closer to potential customers.

The deal, completed in June last year, underlined some of the advantages for non-German companies of taking over German production assets, even if the strategy flies in the face of conventional wisdom.

Many European or US industrial managers would share Griffith's initial scepticism. "The pressures to move out of Germany are astronomic," says Peter Harrisson, chief executive of Molins, one of the world's three largest makers of cigarette-production machinery.

But Roland Berger, chairman of Roland Berger & Partner, a Munich-based consultancy, says such deals can make sense "either to take advantage of specific client relationships or by getting access to proprietary technologies". However, the purchasing company will almost always need to "integrate the German activity into an international manufacturing operation to minimise costs".

That has been the route followed by Bridgeport in its purchase for \$9m (£5.7m) of the factory in Kempten, Bavaria, formerly owned by Deckel-Maho, the big German machine-tool company which went into receivership in 1994, with the Kempten plant barely used. It had cost \$106m to build in the early 1990s.

The factory is "outstanding" in terms of its design and level of automation, according to Helmut von Monschaw, director of the VDW, the German machine-tool association. It employs just 80 people – who link with Bridgeport's other European production site at Leicester in the UK, which has less automation and employs 500. Average labour costs in Leicester are roughly half those in Kempten but this is compensated for by very high skills levels at Kempten, according to Malcolm Taylor, head of the company's European division.

Under Bridgeport's strategy, the German plant is almost exclusively responsible for the automated machining of castings, a highly automated job that requires few people. The castings are then transported to the UK for final assembly, a much more labour-intensive activity.

This adds up to "a highly profitable operation", says Taylor. The extra capacity should mean the company can increase its sales in Germany roughly threefold by the end of the century, to \$30m a year. Total output from the Kempten-Leicester operation is likely to be about \$90m this year, roughly half the total production of Bridgeport, whose other main factory is in the US.

A more striking example of strategic investment in German manufacturing came with the \$13m acquisition last October of Bellino, a car parts company based in Göppingen, near Stuttgart. The British buyer was UPF, a maker of chassis components with four plants in the UK and which had been trying for eight years to build up a presence in Germany.

Bellino seemed a good bet to serve as an "introduction agency" for UPF. It had a track record supplying key parts for companies such as Daimler, Porsche and BMW. Its product range complemented that of UPF: the German company concentrates on thin pressings such as window panels, while the UK business is expert mainly in thicker metal components for the car body.

Bellino, with sales of about \$15m a year and 140 workers, also came cheap. Formerly privately owned, it had gone bankrupt in 1993 and UPF bought it from the receiver. UPF took the opportunity to install as Bellino managing director a candidate it felt could bring to the company UK-style flexible labour and management techniques while at the same time retaining the company's high-level technical skills. The manager was Martin Schmid, Bellino production director since 1990.

Since the takeover, teams of Bellino-UPF designers and engineers have held meetings with counterparts from the big German car companies, discussing a series of contracts which Schmid believes could be worth about DM15m (£6.5m) for the company by the end of this year.

Under the UPF plan, orders won by the German "front end" of the partnership will lead to work being split between Göppingen and the four UK factories, with specific activities such as specialist tooling left to the German operation and assembly-oriented work done in Britain.

A key aspect is the disparity in labour rates between the UK and German parts of the operation. In Göppingen, the basic shop floor rate is about \$24 an hour; roughly twice that at the company's main UK factory in Wolverhampton. Under any deals won in Germany it would make sense to site the more labour-intensive operations in Britain.

But Keith Evans, UPF chairman, says: "We're not bothered by the high wage rates. What matters is the quality of workmanship and the productive output [from the German operation] which is good."

Evans says that with the one acquisition, UPF "has moved on five years" in terms of its ability to produce goods for a wider market. From current annual sales for the combined UPF-Bellino group of about \$150m, he forecasts the figure will rise by the end of the decade to between \$370m and \$750m, with two-thirds of the revenues generated in continental Europe.

Another example of a "mix-and-match" policy in Germany – taking the best aspects of a manufacturing operation there and integrating it with a non-German activity – involves Lamb Technicon, a US-based maker of automated transfer lines for the vehicle industry.

Last November, Lamb, part of Western Atlas, the second-biggest machine tool company in the US, bought a 49 per cent stake in Honsberg, based in Remscheid, near Cologne, for an undisclosed sum. The deal gave Lamb management control, plus the option to take full ownership. Honsberg had earlier gone into bankruptcy after a long period of financial problems. Sales of the combined group are about \$400m a year.

Honsberg's speciality is flexible systems for the European vehicle industry for making parts (such as crankshaft casings) in relatively small quantities of about 500 a day. In contrast, Lamb's expertise is built around making more expensive systems, costing as much as \$40m, which can produce up to 2,000 parts a day.

The two types of system involve different concepts, covering, for example, the design of individual machines for jobs such as automated grinding, and of the specialised handling equipment. "Some of the technologies that they [Honsberg] have were previously unavailable to us," says Mark Tomlinson, Lamb's director of market planning.

Tomlinson is to divide his time between Remscheid, Lamb's main base in Warren, Michigan, and a further production site in Mildenhall, UK. His task will be to feed ideas from all three sites into the development of complete systems for both high- and low-volume applications on both sides of the Atlantic.

As for the Remscheid operation, which has 370 people and annual production valued at about \$70m, Lamb reckons that the technical edge extended to the company's combined operation should outweigh the disadvantage of the higher labour costs. "In this business, companies are willing to pay more for something that will do a better job," says Andreas Quak, sales director at Honsberg.

Similar reasons for being in Germany are voiced by De La Rue, a UK banknote printing specialist which owns Garny, a German manufacturer of safes and other security equipment for banks. The safes are made in two factories, in Dortmund and Mörfelden-Walldorf, near Frankfurt, with Garny's annual sales of DM290m going mainly to German customers.

While in theory De La Rue could save money by shifting the factories to locations with lower labour costs, sales to a highly conservative community of German bankers would almost certainly be much lower if the safes were made outside the country, according to Haydn Abbott, managing director of De La Rue's cash systems division.

"In this [German safes] business, all the main competitors are also based in Germany, and the benefits of local manufacturing by far outweigh the questions of expense," says Abbott. However, De La Rue is studying how to cut labour expenses, possibly by closing or scaling down one of the two factories which together employ 500 people.

Perhaps the best of all worlds in terms of manufacturing strategies in Germany is the one employed by BWI, a UK maker of specialist packaging and food and drug production equipment. Last year it bought a half share for \$750,000 in Hüttlin, a leader in sophisticated pharmaceutical granulating equipment based in Steinen, southern Germany. The German company has borrowed concepts from the aerospace industry to develop systems that use air jets to "blow" combinations of powders to form the correct drug mixes.

It employs only 30 people, mainly on research and technology. Its machines are made in "outsourcing" deals with low-cost subcontractors sometimes outside Germany. Under the terms of the deal, BWI can fully acquire Hüttlin, which has annual sales of \$9m, over the next few years.

Stewart Brown, chief executive of BWI, hopes to use some of the company's ideas in production systems for pharmaceuticals plants involving other parts of BWI. "It is an ideal acquisition," says Brown. "We are buying an excellent technical centre but with little of the high infrastructure costs of Germany."

PARTNERS

Collins & Stewart

Lee Collins, 48, and Andy Stewart, 46, worked together for 15 years at Simon & Coates, then Chase Manhattan, before becoming partners in their own stockbroking firm, Collins & Stewart, in 1991. They have two other partners and 85 employees. Their turnover last year was \$26m (£16.6m).

Lee: "When we started the business, we agreed to run it equally. In the early days we didn't know whether we'd make money but I had confidence in Andy and the other two partners. They were all very bright, very good moneymakers who had been successful in their own right.

Although we'd worked together at Simon & Coates, Andy's background was in trading, whereas mine was in corporate finance and research. We have totally different styles. He's more aggressive than I am, much tougher, more single-minded. Andy comes to decisions quickly and follows them through, whereas I concern myself with the general consensus and look for a compromise.

Our different approach is cause for discussion rather than conflict. His forte is small print, which is vital in this business. It is the thing that gives you the edge when trading stocks, along with a brilliant trading mind. When we're looking for staff, Andy is interested in the immediate bottom line. I tend to look at what they'll bring to the well-being of the firm as a whole rather than their profit contribution.

Our working patterns are different in that he comes in earlier and I stay later. Our work doesn't overlap yet I respect what he does and vice versa."

Andy: "Unlike me, Lee is clever academically. He went to Cambridge whereas I joined the City straight from school. He's very laid back, confident and very good at what he does. He's primarily a head honcho of corporate finance. He has an ability to talk at length to people from all aspects of the community about various things.

I'm considerably more focused. I'm not alone in sometimes being confused by the length of Lee's telephone calls. His conversations can go on for an hour at a time yet they invariably produce good results.

I find it very difficult to relax, whereas Lee is relaxed all the time. In the 25 years I've known him, he's only ever once told me to ease up: I was running Chase Manhattan at the time and Lee was working as my number two. He could see the pressure was getting to me. It wasn't so much the stock market as the ghastly Americans and all the meetings for meeting's sake.

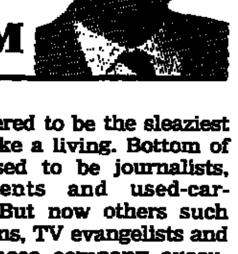
Meetings are a waste of time yet Lee likes to be able to sit down and discuss things as a group. He has stronger communications skills than I do which is why he's good at corporate finance.

We occasionally have little rows, but neither of us let things fester. Whatever we've disagreed about, it's never that bad that we can't sort it out by ambling down to the wine bar afterwards."

Fiona Lafferty

Merits of cross-functional teams

ADRIAN FURNHAM



The best argument for using cross-functional teams comes from the use of business games. In one study a business school had marketing, accounts, production and human resource specialists compete in separate groups in a simulated game with a measurable outcome.

The marketing group focused on sales and promotion. It achieved impressive market share but bankrupted itself in doing so. The accountants, ever watchful of the bottom line, minimised investment in production and promotions. They maintained capital but had no new products and slowly faded away. The production specialists were interested mainly in the manufacturing process and new product development. They ended up with excellent products, at the right price but no money left for promotion, so no customers.

To everyone's surprise the HR team won. They tinkered around with the organisational structure and spent money on training. Having not spent money in bankrupting themselves they won by default. The moral of the story: homogeneous teams with similar perspectives tend to be egocentric. Cross-functional teams may be less comfortable but much more effective.

It is a long time since anybody in the UK experienced food or petrol rationing. Some even look back nostalgically to the bureaucratic world of food stamps and ration books that attempted to ensure that scarce goods were equitably distributed. In the world of cyberbabble and consultant jargon perhaps the concept of word-rationing may be useful.

The idea is simple. Every employee is given their ration of over-used, abused or meaningless words per month. Thus you may have four "empowerments", five "paradigms", three "re-engineerings" and six "diversitys". You may use them when and where you like: a memo, a seminar, an official report; even a casual conversation. But once they have been used up, that's it until your next ration. Of course, black-marketeers exist (called management gurus) who flog these words. But they should be resisted and abusers of the system fined for ration abuse.

There is, by now, fairly substantial agreement about which jobs are considered to be the sleaziest way to make a living. Bottom of the list used to be journalists, estate agents and used-car-salesmen. But now others such as politicians, TV evangelists and oil or tobacco company executives seem to be competing for the dubious honour.

But what are the occupations we most admire? A recent American study found fire fighters and farmers were at the top. Dentists were above judges and bankers, and plumbers little different from army officers. Taxi drivers rated higher than stockbrokers and lawyers below prison guards and soap opera stars. American politicians were ranked among the seven least-moral professions in America.

How different would these findings be in Britain? Police officers and bankers appear to have taken a knock recently, but I doubt lawyers are held in such low regard. In the American survey, university professors were sandwiched between babysitters and airline pilots in terms of perceived honesty and integrity. I hope that's a bit different here.

The "vision thing" as former President Bush memorably put it appears to have reached its sell-by date. At the high point of this missionary zeal every organisation in every department was cajoled into writing and displaying their mission statements. Like traffic wardens, they were truly organisationally ubiquitous.

But what is most curious about this slightly out-dated exercise is that radically different organisations, with very variable products or services, ended up with indistinguishable statements.

A good mission statement should not say what a company must do, but chooses to do. It should not be filled with meaningless, unmeasurable, superlatives such as optimum or maximum. It is no more than hypocritical hype having a mission statement that does not change the behaviour of the organisation measurably. Also, a good mission statement should define the business that an organisation wants to be in, not necessarily what it is in now.

Although it's rather too American and not English, a mission statement needs to be moderately exciting and inspiring. The mission statement "To get back the Holy Grail" worked well in the Crusades, even if it was ultimately pretty unsuccessful.

BUSINESS EDUCATION

Della Bradshaw looks at the problems of running a modern scholarship scheme

Bright lights of change

At first glance, Boutros Boutros Ghali, secretary-general of the United Nations, and Lord St John of Fawsley, Conservative party grandee and master of Emmanuel College, Cambridge, have very little in common. But both were once Fulbright scholars.

Now in its 50th year, the Fulbright Foundation, which funds American students to study overseas and vice versa, is being forced to face economic realities. This year is the first when Fulbright students will get corporate sponsorship.

James Moore, executive director of Fulbright in the UK, argues that corporate sponsorship will enable the scheme to expand. "It was pretty ridiculous that such a very small number of top-notch students were succeeding every year," he says.

But without modification Fulbright would have found it hard to survive unscathed into the next century. Economic realities mean that exchange programmes are no longer a priority for governments. And although the UK government is still giving £400,000 a year to the Fulbright Commission, its US counterpart has already trimmed its contribution.

The Fulbright package is proving attractive to companies. For a grant of £15,000 the sponsoring company gets its name alongside the eminent Fulbright brand. But, more important, the business builds a link with one of the country's most able post-graduate students.

"I had no trouble convincing Salomons to do it," says Charles McVeigh, chairman of Salomon Brothers International and one of the Fulbright Commission members. "For us the future of our business is based on the pipeline of talent we can attract every year."

Most companies will stipulate that the student does an internship with the company during or after the course, or completes some related study, but the student is not obliged to work for the company once the course is complete.

But, McVeigh concedes. "In a perfect world we'd hire him after the course."

Moore already has 17 companies lined up to sponsor students and within two years intends to double the number of students on the scheme from 40 to 80. In all, he is hoping to bring in £1.2m from private industry. The trick, he says, is to extend the number of places without diluting the scheme's academic worth.

This year 40 traditional Fulbright scholars will travel between the US and UK and four UK students will go to the US on sponsored places.

One is Marc Sharpe, who is being sponsored by Citibank to study for an master of business administration degree (MBA) at Harvard Business School. At 26 years old, Sharpe already has several years experience working for an American investment bank. "I'm very excited in seeing how Americans work differently," he says.

The change in funding will necessitate a change in the structure of the programme. Traditionally Fulbright scholarships have been for new graduates and for one year courses. MBA students need to have several years work experience and those on two-year MBA courses will also have to fund the second year themselves.

Moore believes that the subtle shift from the purely academic to the commercial will mean that the future list of Fulbright scholars will include top industrialists as well as diplomats, academics and politicians.

Architect Sir Richard Rogers, Boutros Boutros Ghali, of the UN, and Shirley Williams were all Fulbright scholars

NEWS FROM CAMPUS

Capital to study Chinese business

To meet the growing demand for business entrepreneurs in China, the Shui On group, of Hong Kong, has given HK$25m (£2m) to the Hong Kong University of Science and Technology to build a centre devoted to Chinese management.

Initially the Shui On Centre for Chinese Business and Management, as it is to be called, will create a China business emphasis within its MBA programme.

It will also set up a placement programme which will enable students to spend a period of two months working in businesses in China.
HKUST: Hong Kong 2358 7533

Agencies get a slice of the action

Iese, the University of Navarra's Business School in Barcelona, has received two grants. These will fund the development of a programme for the directors of non-governmental development organisations.

Initially the project will devise a series of case studies of Latin American and European agencies.

Subsequently the school hopes to develop a specific course for directors of such organisations. Iese has been working with non-governmental agencies since 1994.

The donations are from the Agency for the Development of the European Union and from the Spanish government.
Iese: Spain, 3 204 4000

Businesspeople get their say

A UK organisation which promotes partnerships between business and education is setting up a forum to encourage businesses to have more say in education.

Headteachers into Industry, known as HTI, is based at Warwick University. The organisation is looking for senior executives to help define business needs.

A report to be published next summer will outline the findings of the forum.
HTI: UK, (0)1203 524331

CONFERENCES & EXHIBITIONS

SEPTEMBER 2-5
Fire International 96 Exhibition
The latest firefighting, prevention and protection equipment and services brought together from around the world. More than 250 participating companies.
For further details and/or complimentary exhibition admission tickets contact: Nicky Molloy Tel: +44 (0) 1737 768611 Fax: +44 (0) 1737 761 685
G-MEX Centre, MANCHESTER

SEPTEMBER 5 & 6
Introduction to Documentary Credits
This foundation course provides a sound understanding of the products, techniques and skills of trade finance. * Letters of Credit, Collections, Acceptances, Forfaiting, Factoring * Settlement, Documentation * Back-to-Back, Transferable and Revolving Credits * Countertrade, Credit Insurance. 2 Days £595.
Contact: Fairplace
Tel: 0171 623 9111 Fax: 0171 623 9112
LONDON

SEPTEMBER 10-11
Intranets and Network Computers: Shaping the enterprise IT infrastructure
The Intranet - the internal Internet - is the hottest issue in IT today. In combination with Groupware and NCs, it offers organisational collaboration sharing and productive use of information and knowledge. ISB, Apple, Oracle, Netscape, Sun, Microsoft, IBM, HP, Lotus present their products, services and strategies: Barclays and BUPA present case studies.
t: 01895-256484 f: 01895-813095
email: nina@unicom.co.uk
LONDON

SEPTEMBER 11-12
Integrated Call Centre
SEPTEMBER 10
Managing the Integrated Call Centre
SEPTEMBER 13
Applying Integrated Call Centre Technology
Computer Telephone Integration has changed how telebusiness is carried out in the competitive commercial environment. The integrated call centre achieves even better results by bringing together point of sale and the WEB. Specialists from Ericsson, Mercury, BT, Vocalis and others explain the technology and the benefits.
Tel: 01895-256484 Fax: 01895-813095
email: nina@unicom.co.uk
LONDON

SEPTEMBER 12
Building the Corporate Intranet
Intranet technologies are today delivering what open systems and workgroup technologies have promised for almost a decade. This Butler Group Senior Management Conference will explain what Intranet technologies are, how they are being used, and provide a strategy for their implementation within the enterprise.
Contact: Butler Group
Tel: 01482 586 377 Fax: 01482 586378
http://www.butlergroup.co.uk
LONDON

SEPTEMBER 16 & 20
Introduction to Corporate Credit Analysis
This Foundation course in credit analysis, risk assessment and the canons of lending. * Types of borrower and their Needs * Techniques of Credit Analysis * Profit and Loss Account and the Balance Sheet, Cashflow, Forecasts, Sensitivity Analysis * Spreading, Ratios, Key Indicators.* Business Plans, Debt Service Capacity, Covenants. 2 Days £975
Contact: Fairplace
Tel: 0171 623 9111 Fax: 0171 623 9112
LONDON

OCTOBER 15 & 16
Developing the New IT Scorecard
Delivering business value is a recognised priority for I.T. The challenge lies in translating this goal into a measurable strategy. Packed with the latest thinking and practice, this is the only UK event where you will discover how to develop and implement a balanced I.T. scorecard.
Contact: Business Intelligence
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

OCTOBER 20 - NOVEMBER 1
Retail and Wholesale Banking Seminar
2 week residential seminar for bankers from the emerging markets. Retail banking covering payments systems, credit assessment & trade finance. Wholesale banking including Foreign exchange, Money markets, Capital markets and derivatives. Highly participative training seminar, incl. educational visits to financial institutions in both weeks. £4,450 + V.A.T. fully inclusive tuition, accommodation and documentation. (15% discount 2+). Week 2 available separately.
Lywood David International Limited Reservations - Fax: UK 44 1959 565821
LONDON

OCTOBER 21-22
Utility Week - IT in Utilities Congress
Hamburg Congress Centrum
The IT in Utilities '96 Congress and Exhibition is the second forum of its kind for senior managers in the electricity, gas, telecoms and water industries to meet and discuss effective IT strategies for European utilities. A comprehensive programme of conference presentations and specialised workshops will be augmented by an exhibition.
Conference enquiries: Alex Daniel, 1st Conference 0171 404 7722
Exhibition enquiries: Ruth Eppey, Utility Week: 0181 652 3877
LONDON

OCTOBER 22—23
Business Performance Measurement
A two day conference addressing the key issues in the implementation of business performance frameworks including practical lessons in the Balanced Scoreboard, Process Benchmarking and Quality approaches.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

OCTOBER 24 & 25
FT Technology in Retailing - *Strategies for Success in a Rapidly Changing Environment*
Arranged in association with Retail Technology magazine, this conference will address the major and strategic and tactical issues identified by research to be of uppermost concern to retailers both in the UK and within continental Europe. Key decision makers from the retail sector, together with IT suppliers and consulting companies will discuss current and future developments.
Enquiries: FT Conferences
Tel: 0171 896 2636 Fax: 0171 896 2696
LONDON

OCTOBER 27 - NOVEMBER 1
Wholesale Banking Seminar
1 week residential seminar for dealers/bankers from the emerging markets covering wholesale treasury, Foreign exchange, Money market and derivatives and Capital markets. Highly participative training seminar, incl. educational visits to Tullett & Tokyo Forex, Reuters and LIFFE. £2,350.00 + V.A.T. fully inclusive tuition, accommodation & documentation. (15% discount 2+)
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LONDON

OCTOBER 30-31
Business Process Re-engineering
This conference and exhibition will re-define the role of management in the process based organisation, manages the portfolio of improvement techniques unlock the transformation potential of I.T., mobilises employees to achieve radical cultural change and taps the innovative power of people.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

NOVEMBER 4
FT Limiting Professional Liability
Senator Pierre Horsfall, President - Finance and Economics Committee, States of Jersey; Mr Colin Sharman, UK Senior Partner, KPMG; Mr John S Roques, Senior Partner & Chief Executive, Deloitte & Touche; Mr Robin Ellison, Consultant - Hammond Suddards, Member - Investment Committee, NAPF; Professor Steven Maijoor, Director, Maastricht Accounting and Auditing Research Center, University of Limburg and Mr Jeffrey Peck, Managing Director - Office of Government Affairs, Andersen Worldwide are among the experts who will address this highly topical one-day conference. Speakers will discuss the several short term solutions to the problems posed by joint and several liability, as well as options for fundamental long term of the law.
Enquiries: FT Conferences
Tel: 0171 896 2626 Fax: 0171 896 2696
LONDON

INTERNATIONAL

SEPTEMBER 22 - 27
Bank Financial Management International Seminar
Heighten your awareness of the key strategic variables affecting financial decisions in banking and consolidate your knowledge using Bankfood, a computerised banking simulation. For financial institution executives.
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Tel: (514) 840-8728, Fax: (514) 282-6450
e-mail: interinfo@icb.org
BANFF, CANADA

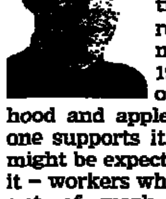
SEPTEMBER 25 & 26
Israeli Capital Markets & Investment Conference
A major international conference to look at post election prospects for direct & portfolio investment in Israel. Topics to be covered:- infrastructure projects & funding, development of capital markets, corporate finance; mergers & acquisitions. Key speakers will include:- Jacob Frenkel, Governor, Bank of Israel and Dan Meridor, Minister of Finance, Israel.
Contact: Arielle Savona, Dow Jones Telerate Tel: +44 (0) 171 832 9737 Fax: +44 (0) 171 832 9940
NEW YORK

OCTOBER 8 - 11
DOMEXPO - Autumn Consumer Goods Fair "Everything for the home"
TOUR SALON - International Exhibition of Tourism International Advertising Fair
The largest organiser of trade fairs in Poland and one of the largest in Central/Eastern Europe 15,000 exhibitors from 58 countries and 950,000 visitors in 1995 Poznan International Fair Ltd.
Glogowska 14, 60-734 Poznan, Poland
Tel./+48 61/692592, Fax./ +48 61/665827
POLAND

BUSINESS EDUCATION

Tim Jackson

Not what you've got but how you use it



Public investment in the Internet, with its twin connotations of progress and technology, is the 1990s version of motherhood and apple pie. Everyone supports it. Those who might be expected to oppose it – workers who will be put out of work, companies whose business will be superseded by cheaper ways of doing things – are rarely awake enough to foresee the effects of such investment.

So it was with weariness that I read a report published on the Internet last week by the Science and Technology Select Committee of Britain's House of Lords under the grand title: "Information Society: Agenda for Action in the UK". (*www.hmsoinfo.gov.uk/hmso/document/inforsoc.htm*)

Six chapters, 40 recommendations and eight appendixes later, I concluded that the report largely misses the mark.

The committee's first mistake was allowing itself to be taken on a jolly to a British Telecom research laboratory, where BT's guru-in-chief fed them the standard corporate sob-story about what a shame it is that Oftel, the UK's telecoms regulator, has forbidden BT to drive the cable companies out of business until 2001. The committee's report duly regurgitates a number of paragraphs on the topic, barely relevant to their inquiry.

The committee was also unable to resist proposing a quango, to be called the Information Society Task Force, inspired by someone in the US who told their lord and ladyships that vice-president Al Gore, an articulate proselytiser, had helped to raise public awareness of technology issues.

The report also prescribes subsidies in all directions: public/private partnerships for pilot projects; Internet PCs in public libraries; free Internet services; outsourced services for schools; R&D programmes to develop educational content for the British curriculum. All these are deemed worthy of public funds.

Worse, the committee leans towards imposing costly regulation to achieve the same result with less transparency, such as inserting a requirement to wire up schools in cable companies' licences. This makes no more sense than requiring electricity companies to provide schools with free power, or greengrocers to give them apples. The Internet is supposed to increase productivity and save money, not reduce productivity and cost money. If its advantages are so clear, institutions ought to need no subsidies to use it.

The report's biggest problem lies in its yearning after an ill-defined "information society" based on a broadband telecoms network carrying large amounts of information at high speed. Such a network, known as an "information superhighway", can do only one important thing that the existing Internet cannot – carry live video pictures of TV quality.

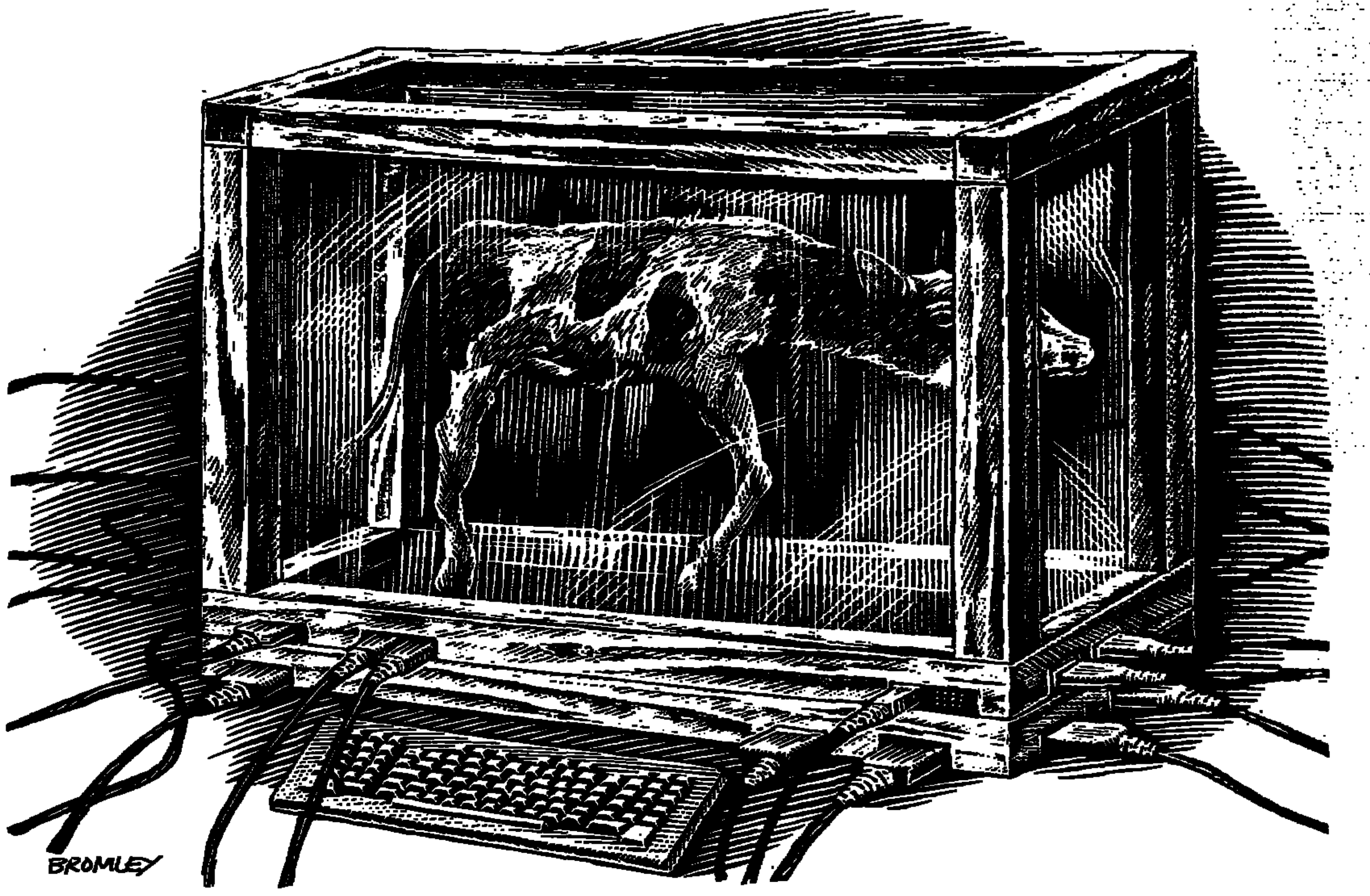
Yet the truth is that the creation of an "information society" has very little to do with building such a network. Today's technology – including basic PCs, office networks and modems – could bring about great changes in our working lives and sharp improvements in government efficiency if only it were put to proper and ubiquitous use. Doctors could use electronic mail to make appointments with hospitals. All government publications were delivered free on the Internet. Teachers could be instructed in basic technology as part of their training. Schools could keep classrooms open after hours to allow pupils to use the PCs. Companies and government departments could give away outdated but still functional computers to charities or schools instead of selling them for a few pounds to scrap-metal dealers. All this is touched on briefly in the report, but then left dangling.

Beneath all this detail, a big idea is struggling to get out. The job of government in an information society is simply to wire itself. In keeping with this principle, the committee should have made a number of recommendations. Every central and local government employee should be equipped with an e-mail address by the end of 1997. All public bodies should publish an electronic directory of names, phone numbers, e-mail addresses and job titles. To encourage people to use the new technology, priority should be given to public inquiries that arrive by e-mail.

In the long term, all public documents should be available free online, simply because it costs less to deliver them this way. Priority should not be given to departmental press releases, as the committee suggests. Instead, the first documents to go online should be those that people want to read. To find out which these are, all departments should be required to audit information requests.

These proposals may seem drab and detailed compared with the visionaries' castles in the air. But the "information society" is already with us. It is small steps such as these, rather than grandiose visions, that will bring about great changes in our lives.

tim.jackson@pobox.com.



Culture is courting the Net

Putting gallery and museum collections online isn't easy, says **Alice Rawsthorn**

If teachers in Scotland's Western Isles wanted to show their pupils the new displays of post-war English art at the Tate Gallery, they might well baulk at the long, costly journey to London.

But if Virginia Bottomley, Britain's heritage secretary, has her way, that journey would no longer be necessary. Last week the heritage department raised the prospect of using national lottery funds to make the contents of the UK's museums and art galleries accessible to the public in the form of digitised images on the Internet.

An online archive is an appealing concept. It would help museums raise awareness of their collections, including works that cannot be displayed because of lack of space, and enable them to broaden their activities by commissioning new pieces from artists especially for the Internet, or running online debates on bulletin boards.

Several US museums and art galleries are already experimenting with Internet projects, as are a few UK institutions. However, some arts administrators doubt the feasibility of launching such an ambitious initiative, given the financial constraints facing many museums and galleries.

"It's a wonderful idea and one that we'd love to participate in – if it comes off," said the head of one museum. "But lots of museums are so underfunded that they're already struggling to catalogue their collections by conventional means, let alone make them more accessible via the Internet."

Predictably, US museums have led the rush online. The Whitney Museum of American Art in New York, the Los Angeles County Museum of Art and the Andy Warhol Museum in Philadelphia have all had World Wide Web sites for some time.

The Whitney uses its site to provide information on exhibitions, talks, seminars and tours. It has also asked contemporary artists such as Nam June Paik, Lowell Darling and Barbara Kruger to create works for the site. And it conducts online debates on issues such as the future of painting and the politics of censorship.

One advantage of running such debates online is that more people can participate, as they are not limited by availability of seats or by difficulties travelling to the museum. Another is that there are no restrictions on the length of individual contributions.

A number of UK institutions are also experimenting with the Internet. The Serpentine Art Gallery in London's Hyde Park launched a Web site to display the works in its *Take Me I'm Yours* exhibition last spring, while the Design Museum introduced one last autumn to coincide with a retrospective of the work of Paul Smith, the fashion designer.

The Serpentine is considering plans to run a permanent Web site when it reopens after renovation in autumn 1997. And the Design Museum is finalising proposals to display its permanent collection on a site. "A Web site would help us to make the collection more accessible to the public, and to extend the educational programme to more schools and colleges," says Paul Thompson, the Design Museum's director.

However the Design Museum is a young institution, and has displayed its collection on an Apple Mac installation since it opened seven years ago. It would be relatively simple for the museum to transfer those images on to a Web site. Older institutions may find it difficult and expensive to go online.

The Tate Gallery went online for the first time last autumn when it launched a Web site devoted to the annual Turner Prize for contemporary art. The site, which provided information about the four artists who were shortlisted for the prize and showed images of their work, was so successful that the exercise will be repeated for this year's Turner Prize.

However, the Tate's long-term aim is to display at least part of its collection on the Internet or on a CD-Rom when the proposed new Tate gallery of modern art opens on London's Bankside in 2000. It plans to start digitising the collection later this year.

Simon Grant, head of information systems, says such an exercise will be "extremely difficult" because of the "enormous range and number" of works in the collection, which includes 14,000 paintings, 1,300 sculptures and more than 38,000 pieces in the Turner bequest. It would be extremely expensive to digitise them all, and some, such as very large sculptures, would be difficult to photograph because of their scale. Other institutions may have difficulties with ancient or delicate exhibits.

The UK's heritage department argues that these issues could be addressed if part of the £500m in national lottery money it plans to pump into museums over the next few years is spent on an Internet initiative. But some arts administrators still have misgivings.

"Nice idea," says one. "But right now we're more worried about how much longer we'll be able to stay open."

Cyber sightings

by Stephen McGookin

● Tired of scannning the same gloomy, depressing columns every morning? Well, you're in luck. Try Athens Institute's Positive Press (*www.positive-press.com*), "founded to counteract the tendency of the mainstream media to focus on the negative". Its trademark is "good news every day". Of course, there's something missing: real life.

● Another interesting site is called The Entrepreneur's Mind (*www.benlore.com*), a magazine format offering case studies and interviews with successful entrepreneurs. Sponsored by the Emerging Business Consulting Group at Arthur Andersen, it's worth a look.

● The courts in the Brazilian city of Rio de Janeiro have announced they plan to use the Internet to speed the adoption of orphans and help track missing children. One example of how the Net has been used in this way is the excellent Canadian site, Child Cybersearch (*www.childcybersearch.org*), which uses easily updated and searched databases to keep readers informed of missing children. Sites like these certainly deserve all the support they can get.

● The US Federal National Mortgage Association (Fannie Mae) is north America's largest source of home mortgage funds, and its site (*www.fanniemae.com*) has plenty of good background information for anyone interested in housing finance. It also has an analysis of Fannie Mae stock and industry-related news-flash items.

● As union sites go, the International Brotherhood of Electrical Workers' local branch from Salt Lake City, Utah (*www.ibew.org*) is good. Nicely constructed, it features much good information, a bulletin board service and an extensive list of related links. It provides a useful service for its members.

● Pepsi in Russia (*www.pepsi.ru*) is, as you'd expect, a nicely designed and visually most impressive marketing vehicle for the fizzy taste of cultural imperialism. Not a lot of content there, but if you answer a couple of simple questions, it says you can get to see your name in Cyrillic script on the Kremlin wall. Cute, but hardly revolutionary.

● Singapore's Changi airport has a page (*www.changi.airport.com.sg*) in which the animated control tower seems to move towards you just a little too ominously. It features well-organised flight information, as well as corporate and business details about Singapore itself.

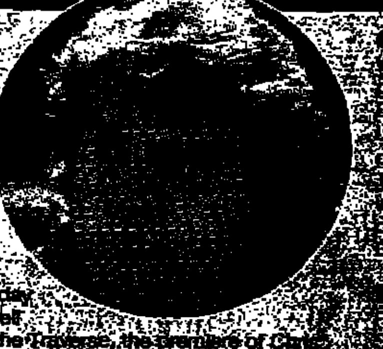
steve.mcgookin@ft.com

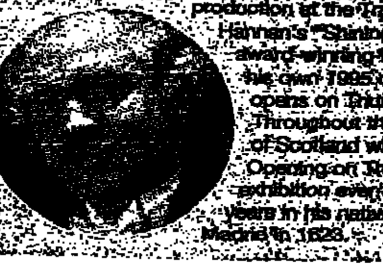
هكذا من الاجل

ARTS

OPENINGS

EDINBURGH
The official Edinburgh International Festival starts on Sunday with Beethoven's Choral Symphony and Schoenberg's "A Survivor from Warsaw" conducted by Donald Runnicles (below) at the Usher Hall. The singers include Bryn Terfel (right) and Hillevi Martinpelto.
The Fringe opens on Wednesday with Ian Brown's farewell production at the Traverse, the premiere of Chris [illegible]





CHICHESTER
[illegible]

AMSTERDAM
A selection of 19th and early 20th century American watercolours will be on view at the Rijksmuseum from Saturday until the end of October. John Singer Sargent, Winslow Homer and Edward Hopper are among the artists represented in the show, which comes from the Museum of Fine Arts in Boston.

PESARO
The 1996 Rossini festival features three little-known operas: the first modern performance of the Neapolitan version of "Matilde di Shabran", plus "Riccardo e Zoraide" and "L'occasione fa il ladro". The festival opens on Saturday with a concert by the Gustav Mahler Jugendorchester under Claudio Abbado (above).

BRECON
The best little jazz festival in Wales has become one of the best and biggest in Europe. Saxophonists Joshua Redman, Joe Henderson (below), Illinois Jacquet and Phil Woods play their sole UK dates at Brecon this year. Van Morrison opens proceedings on Friday.

Golden boy howls at the moon

John Landis was feted in Hollywood for his comedies – then it all changed, writes Nigel Andrews

The beard is neatly clipped, the spectacles have a donnish gleam and you could eat off the immaculate shirt and tie. Only the weirdly soaring voice and occasional hyena giggle betray this man's history as the most feted and feral comedy director of a generation.

John Landis made *The Blues Brothers* and *National Lampoon's Animal House*, two films that redefined anarchic humour for the 1970s and 1980s. He made Eddie Murphy a superstar in *Trading Places*. And he triggered an entire epoch of special-effects "body horror" in the Gothic spoof *An American Werewolf In London* followed by *Michael Jackson's Thriller*, in its day the highest-selling rock video.

Fame, though, is as changeable as horror mutations. One minute you're hobnobbing with the stars, the next you're howling at the moon. In the 1980s Landis fell foul of two landmark furors. One was the "creative accounting" scandal in which writer Art Buchwald sued Paramount, claiming sackfuls of unpaid money as originator of the story for the hit Landis-Murphy comedy *Coming To America*. The other was the helicopter disaster that killed three people during stuntwork on Landis's episode in *Twilight Zone: The Movie*.

He seems never to have recovered from the second incident. The manslaughter charge that resulted cost him seven years of legal entanglement and millions of dollars in fees before ending in acquittal.

In a run-off for the most troubled career in modern movies, Landis would probably beat Roman Polanski, Woody Allen and all other comers. My own encounters with him have charted the highs and lows. I met him first at a 1980s Edinburgh Film Festival where he was being honoured with a retrospective; later in a bungalow office at Universal, where he was scraping himself off the floor professionally to make *Beverly Hills Cop III*; finally and briefly over the phone last week, to ask what had attracted him to *The Stupids*, his low-budget, no-star, children's-book-based comedy opening in Britain next week.

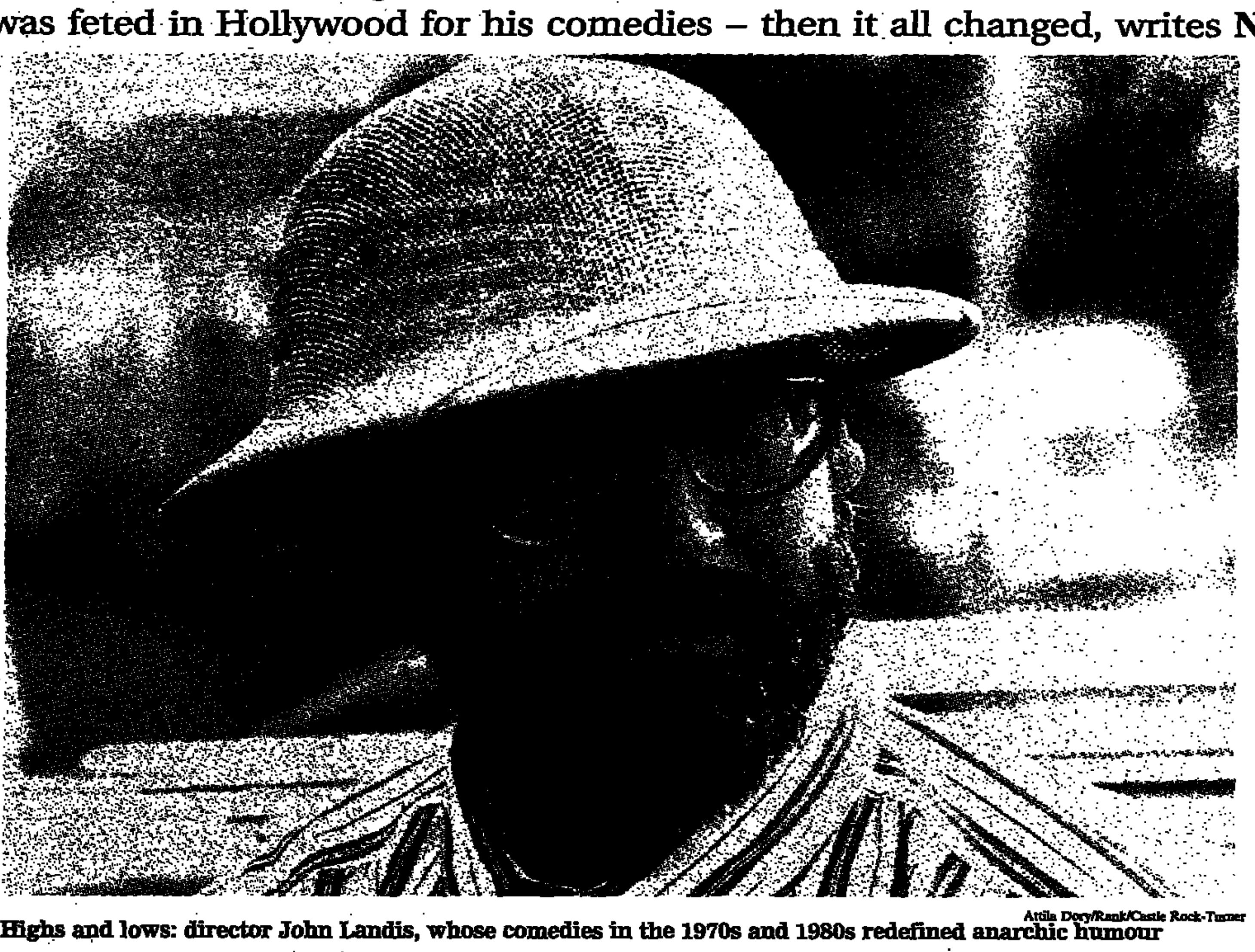
"It's a very funny series of books about this surreal family who are a sort of collective Stan Laurel," he tub-thumps. "Some of my favourite films are technically children's films: *The Wizard Of Oz*, *Pinocchio*. But all great kids' movies play across the family. They're for adults too."

Come August 9, we shall see. But how has he reached this modest pass from the heady 1970s when he ruled movieland? And how did he attain such eminence in the first place? He is not, for instance, a "movie brat".

"No. The movie brats – Spielberg, Scorsese, De Palma, Lucas – all came from film schools and they're older than me. I'm more a fan than a scholar. I left school early and came up through the mailroom at [Twentieth Century] Fox. I was privileged to get into movies just before the death of the studio system, so I could seek out, and I did, people like Hawks and Hitchcock and Cukor."

After trailing across Europe helping on oblivion-destined blockbusters (*Kelly's Heroes*, *Catch-22*), Landis made a mini-budget comedy that became a cult called *Kentucky Fried Movie*. In the late 1970s, a post-Watergate America sceptical of its rulers was looking for anything that enthroned anarchy, disrespect and much falling about by loved comedians. So Landis followed that with the bigger-budgeted *National Lampoon's Animal House*, which became the most successful comedy of its era.

"It had a witty script and we made it deliberately outrageous."



Attila Dory/Rank/Castle Rock-Turner

Highs and lows: director John Landis, whose comedies in the 1970s and 1980s redefined anarchic humour

The film's star was John Belushi, a Landis friend who became a legend in his own brief lifetime, offscreen as well as on. The ex-TV farceur overate, overdrank and finally overdosed. The Sunset Boulevard hotel where he died still shows arriving guests, with a kind of proprietorial prurience, the Belushi chalet.

Landis resents the sensationalism, but resents even more the cracker-barrel wisdoms about Tinseltown that Belushi's death prompted. The actor became the fall guy for a whole generation's muddled morals. "There was this terrible book by Bob Woodward, *Wired*, that made out that Hollywood killed John," says Landis. "It didn't. John killed John. He had a drug problem even in high school. All 'famous' did was allow him to buy a better quality of drug."

If Belushi was Hollywood's comic totem for the late 1970s – a plump, rude, childlike finger raised to authority – it was Landis again who found his successor for the 1980s. The leaner, more dandefied Eddie Murphy was a black superstar whose ascension enshrined political correctness.

"It was the ideal time to have a black comic hero. Just as Sidney Poitier was the right guy for a postwar black role model – gorgeous, upright, noble – Eddie was streetwise, funny and accessible. His success had a lot to do with speeding up liberal race attitudes in the movie business."

Ironically, though, it was a fable on racism that Landis was shooting in 1983, as his contribution to the four-story *Twilight Zone: The Movie*, when a stunt helicopter caused the grisliest on-set disaster in modern memory. The vehicle went out of control, decapitating actor Vic Morrow and killing two children. A new Steven Spielberg biography not only plants Landis at the scene of the accident – never denied – but also suggests that co-producer Spielberg may have been there on the night.

"No," says Landis. "he wasn't there. That was never an issue. And I'm not speaking as a friend of Steven, whom I haven't talked to since 1983. He and his fellow producers behaved reprehensibly after the accident. One of them, Frank Marshall, fled to Europe for months. You discover a lot about human nature when you go through an experience like this." Landis follows up with some unprintable things about the Los Angeles district attorney's office, which ensured him years of harassment before failing to clinch its case during a 10-month trial. "There was absolutely no good aspect about this whole story. The tragedy, which I think about every day, had an enormous impact on my career, from which it may possibly never recover."

Landis's life, in the process, has become a nightmare paradigm for the volatility of fame. "After *Animal House*," he once quipped, "everyone in Hollywood came to me with sackfuls of money begging me to make them rich." Today he cannot even finance *Blues Brothers 2000*, his proposed sequel to a smash-hit original. Universal, who hold the film rights, refuse to move above a $20m budget, which is too modest, says Landis, for the star-packed rhythm-and-blues musical comedy he and Dan Aykroyd have scripted.

Grim times. But then couldn't Hollywood's whole history be seen as a ruthless process of shaking off old talent while signing on the new? And wasn't Landis himself on the side of the ruthless when Art Buchwald wanted his "piece" of *Coming To America*?

After a brief statistical counter-offensive, hurling facts and figures about the case at me, he says with shrugging finality, "Movies are a business and the bottom line is that some people cook the books. I'm not defending Paramount. But film-making finances are no more Byzantine than any other area of economics."

But they are more Byzantine, surely, than in the old days? Who can keep up with the Hollywood landscape today: one that includes Japanese takeovers, studio-beggaring budgets, movie star fees that could buy the White House, and agents who become more powerful than film executives, not to mention than ex-golden boy film directors.

Landis demurs. "The only difference in the old days was that six studio heads had a lock on all the talent and the money. It's a myth that they were kindly father figures who kept good books.

"That's one reason agents stepped in, to say on behalf of their actors and directors, 'I don't trust you, I don't think there'll be fair accounting, we want the money now.' So today it's gone the other way. An actor can say to a studio, as Steve McQueen did, 'I want $1m put in escrow just for me to read this script'. It gets pretty outrageous. So sometimes the studios fight back."

No change, then, except who controls the cash register? And no resentment from a film-maker who has been on the sharp end of Hollywood's wilful power to propose and dispose?

"The only real change is that film-making is more of a lottery today and sometimes you don't know *who's* in charge.

"Today the studios are distribution and marketing companies and they take a lot of persuading over each project. The devil is in the deal-making. People ask, why are there so few good movies? But if you really knew the process of getting a film off the ground – the selling of a script, the fight to convince people you're bankable, the bickering over budgets, the egos who fight over billing – you'd be amazed there were so many movies at all. If there are some good ones among them, that's an extra miracle."

Theatre

Telling tales

There is a certain conventional style to stage adaptations of collections of stories such as *The Canterbury Tales* or *The Decameron*: actors slip fluidly between characters, minimum of time is expended upon establishing the situation in which folk find themselves whiling away the time by tale-telling, and set design is necessarily non-specific and versatile.

Nick Ward's production of his own adaptation from Boccaccio – the last in the Gate's New Playwrights, Ancient Sources season – observes all these conventions, but does so with a relaxed flair which lifts *The Decameron* head and shoulders above most other shows in this vein.

The audience take their seats (or rather benches) in a mist-filled theatre walking across – and occasionally stumbling into – the shallow pit which runs the length of the space, partially covered with planking in Conor Murphy's superior design. In half-light at one end, a solo *Kyrie* is sung; the murky atmosphere is maintained long enough to suggest the plague-ridden city from which the 10 characters remove themselves before they get down to the business of tale-telling.

At this point the design comes into its own. The pit is used to secrete live bodies or dump dead ones; planks are up-ended to serve as walls and doors; a shower falls towards one end of the theatre, beyond which a spot of cookery is conducted – the dish, naturally, is the heart of an adulterous wife's lover.

The stories of love and betrayal, discovery and concealment unfold at first serially, then little by little grow more tangled, nested in one another and intercut, until any sense of time vanishes and the arguments of individual narrators become wholly subsumed; the act of telling, and of watching tales develop, is all.

Ward's direction is likewise oriented entirely towards bringing stories alive at a particular moment in a particular area of the stage; it is concentrated and tightly focused, and his cast of six women and four men respond excellently to it.

The production is a complete ensemble piece, to the extent that individual performers can hardly be identified, the programme lists them solely by the names of their "principal" characters, those on retreat from the infested city, who are of only tangential importance to the tales themselves.

Ian Shuttleworth

At the Gate Theatre, London W11, until August 17 (0171-229 0706).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Sheila Arnold: the pianist performs works by Scarlatti, Mozart, Khan and Debussy; 8.30pm; Aug 6
EXHIBITION
Van Gogh Museum Tel: 31-20-5705200
● Van Gogh drawings, part I: each summer for the next four years the Van Gogh Museum will publish a volume of the catalogue of its collection of Van Gogh drawings. To mark each publication, a summer exhibition will be held. In the course of this four-year period more than 500 sheets will be displayed. The first exhibition in the series is devoted to the period from 1880 to 1883; to Sep 15

■ BERLIN

EXHIBITION
Ägyptisches Museum und Papyrussammlung – Charlottenburg Tel: 49-30-3209126
● Theatrum Hieroglyphicum. Ägyptischen Bildwerke des Barock: exhibition of a series of 18th century pseudo-Egyptian statues and reliefs that were created for the Park von Wörlitz. The works on display give an insight into the ideas and perceptions of ancient Egyptian culture that prevailed at this period of time; to Sep 8
Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860
● Noch nie gezeigt – Aktuelle Positionen aus den Sammlungsbeständen der Berlinischen Galerie: exhibition of works from the museum's collection, most of which were never before shown to the public. The show includes, installations, paintings, photographs, architectural drawings and designs; to Oct 13

■ BONN

EXHIBITION
Kunstmuseum Bonn Tel: 49-228-776121
● Picasso – Illustrierte Bücher: exhibition of books and book illustrations by Pablo Picasso. The approximately 100 works on display give an overview of the artist's development in this field between 1911 and 1974; to Sep 22

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Giselle Allen: accompanied by pianist Elizabeth Bicker. The soprano performs songs by Britten, Duparc, R. Strauss and Bridge; 8pm; Aug 8

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Alberto Giacometti 1901-1966: the exhibition comprises 80 sculptures, 30 paintings and a selection of drawings. These include sketches and paintings made by Giacometti in his youth, Surrealist sculptures of the early 1930s and the celebrated series of tall standing figures; to Sep 22

■ LONDON

EXHIBITION
British Museum Tel: 44-171-6361555
● David Le Marchand (1674-1726) – An Ingenious Man for Carving in Ivory: exhibition of works by this French-born artist who settled in Edinburgh in 1696. Among the patrons who flocked to him for portrait busts and cameos were royalty, aristocrats, politicians and intellectuals; to Sep 15
Tate Gallery Tel: 44-171-8878000
● Leon Kossoff: this exhibition includes about 80 paintings by this British artist and follows the development of his work from the 1950s to the 1990s; to Sep 1

■ LOS ANGELES

EXHIBITION
MOCA at California Plaza Tel: 1-213-626-6222
● Ed Moses: the first major retrospective of Moses' work includes approximately 45 paintings and 25 drawings spanning his career, starting with a group of largely unknown egg tempera paintings (c. 1952) and ending with a group of recent abstract paintings; to Aug 11

■ MUNICH

EXHIBITION
Kunsthalle der Hypo-Kulturstiftung Tel: 49-89-224412
● Amerika – Europa: exhibition of works from the collection of Ileana and Michael Sonnabend. Included are works by American and European artists from the 1950s to the present; to Sep 15

■ NEW YORK

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Landscapes of the Civil War: Newly discovered photographs from the Medford Historical Society: assembled from the 5,000 or more Civil War original albumen prints in the collection of the Medford Historical Society, this exhibition of about 100 never-before-exhibited prints provides an opportunity to survey examples of early photographic reportage; to Nov 10

■ OSTEND

EXHIBITION
Museum voor Moderne Kunst Tel: 32-59-508118
● Walter Leblanc, reliëfs op papier: exhibition featuring reliefs on paper by Walter Leblanc (1932-1986), who was among the front-runners of the monochrome art movement in Belgium. The display includes 106 works that were created in the period 1953-1962; to Sep 8

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Fréderick J. Kiesler: retrospective exhibition devoted to the architect/artist Frederick Kiesler (1890-1965). The display gives an overview of his architectural designs and ideas and shows a selection of his various works; to Oct 21

■ SALZBURG

OPERA
Grosses Festspielhaus Tel: 43-662-80450
● Don Giovanni: by Mozart. Conducted by Donald C. Runnicles and performed by the Wiener Philharmoniker. Soloists include Ferruccio Furlanetto and Bryn Terfel. Part of the Salzburger Festspiele; 7.30pm; Aug 6, 9

■ SAN FRANCISCO

EXHIBITION
M.H. De Young Memorial Museum Tel: 1-415-750-3600
● The Measure of All Things: Paintings by Irving Norman: this exhibition focuses on the Bay Area artist Irving Norman (1906-1989). Norman's views of the modern world and call to painting were shaped by his experiences of the Spanish Civil War. On view are 18 canvases, many up to 17ft long and more than 10ft high; to Oct 20

■ STUTTGART

EXHIBITION
Staatsgalerie Stuttgart Tel: 49-711-2124050
● Barnett Newman. Die Druckgraphik: exhibition featuring American artist Barnett Newman (1905-1970), founder of the New York Abstract Expressionism. Like his paintings Newman's graphic work, created in the 1960s, is characterised by monochrome colour fields and vertical stripes; to Sep 8

■ VIENNA

EXHIBITION
Museum des 20. Jahrhunderts Tel: 43-1-7996900
● Coming Up – Young Art from Austria: exhibition focusing on up-and-coming or relatively unknown young Austrian or Austrian-based artists. The show aims to serve as a counterpoint to Austria's millennium celebrations this year; to Sep 15

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Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Michael Prowse · America

Hollywood demons

Politicians are blaming the entertainment industry for debasing the nation's values and undermining social harmony

When President Bill Clinton took office the American people doubted the vitality of the US economy. After four years of steady growth and the creation of an extra 10m jobs, the focus is switching from the material to the spiritual. People are worrying less about productivity and more about values – the intangible codes of conduct that underlie behaviour and determine the quality of social life.

The serious disorder that afflicts US society is increasingly seen as caused not primarily by poverty or other economic factors, but by a breakdown of traditional ethical norms. Changes in social mores, especially in the countercultural years of the 1960s, resulted in an "anything goes" philosophy that contributed directly to the rise in violence, drug abuse, divorce and out-of-wedlock births. Such problems can be tackled, if at all, only by achieving a national moral regeneration.

Pundits are not certain what caused the erosion in moral sensibilities, but many believe the mind-numbing violence and amorality of commercial television and popular films have dragged people down. When Mr Bob Dole, the Republican presidential candidate, visited Hollywood last week, he was careful to praise the entertainment industry. The film *Independence Day* – which depicts Americans saving the world from evil aliens – was the kind of show that "lifts up our country rather than dragging it down". But in stressing Hollywood's ability to "shape attitudes and outlooks," he returned to the theme of a diatribe last year when he accused executives of debasing the nation by "creating nightmares of depravity".

The public was so supportive of Mr Dole's critique that Mr Clinton has been struggling to co-opt the issue ever since. Mr Clinton recently called on Congress to pass legislation requiring TV sets to contain a V-chip, which allows parents to block offensive material. A few weeks later he bullied broadcasters into accepting a "ratings system" similar to that of films to rank TV shows for sex, violence and crude language. Finally, last week he obtained agreement that all TV stations would include at least three hours per week of "educational" programmes in their daytime schedules.

Does the emphasis on values make any sense and can politicians achieve anything worthwhile in this sphere? At some fundamental level, the importance of values is undeniable. If everyone abided by the norms of any of the main religions, most social problems would vanish. People would cease harming others or themselves. And they would rush to help those in distress, eliminating the need for public welfare programmes. If moral standards were sufficiently high, much of the rationale for government of any kind would disappear.

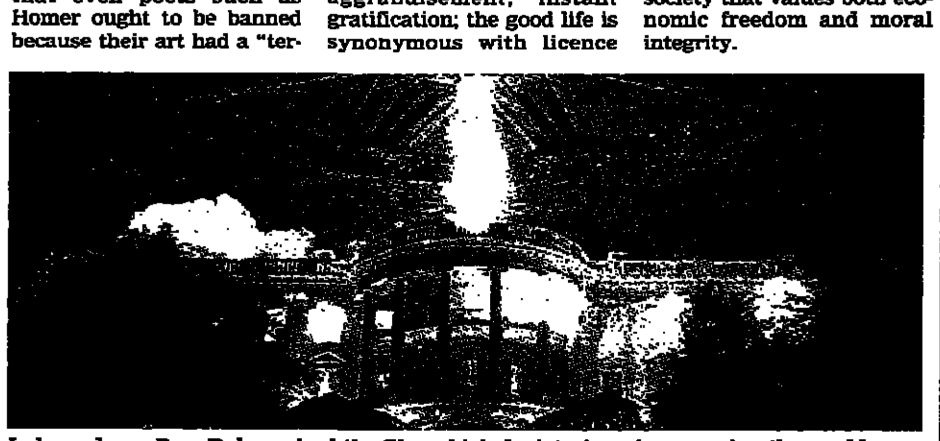
Politicians cannot directly improve people's morals. But many philosophers have argued they have a duty to remove or mitigate the influences that drag people down. Plato argued that even poets such as Homer ought to be banned because their art had a "terrifying capacity for deforming even good people". Poetry, he wrote, gratified the passions and established a "bad system of government in people's minds". *What, one wonders, would* this sensitive soul have made of prime-time US television, of its unchanging diet of gratuitous violence and sexual infidelity?

Plato's arguments have been resuscitated by Mr William Bennett, an adviser to Mr Dole and a former education secretary in the Reagan administration. Mr Bennett published his bestselling *Book of Virtues* in 1994 and has since acquired a national reputation as a moral crusader. In a speech in Hollywood earlier this year, Mr Bennett argued that TV writers were disingenuous when they claimed their work had no social consequences because it was pure entertainment. Scripts, he pointed out, were developed by gifted and creative writers to have maximum impact. They were bound to "incline and condition people toward a certain world view".

That world view, he argued, is a crude and destructive form of hedonism. The message ceaselessly relayed by the US TV and film industries is that the "summum bonum of life is self-indulgence, self-aggrandisement, instant gratification; the good life is synonymous with licence and freedom from all inhibitions."

It is hard to show scientifically that TV and films influence the way people think and act. We cannot *re-run history to see what* would have happened without them. Yet it is absurd to claim that so expressive a medium has no impact; if TV is unable to affect people, learning of any sort would be next to impossible. Given that young people spend more time watching TV than doing anything else (including studying), it is plausible that it does shape their hearts and minds.

But what can a society that values individual freedom do about it? Outright censorship is unacceptable because nobody (Mr Bennett included) has a monopoly on wisdom. Surprisingly, perhaps, the US is reacting in a rational fashion. It is moving, with the V-chip, to protect children from the worst excesses of commercial TV. And politicians are sensibly encouraging a vigorous public debate about values and the influence of the entertainment industry. Over time, public pressure should lead to voluntary changes in the kind of TV shows and films produced, with beneficial social consequences. That, at any rate, is what should happen in a society that values both economic freedom and moral integrity.



Independence Day: Dole praised the film which depicts Americans saving the world

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Translation may be available for letters written in the main international languages.

WTO secrecy creates anxiety

From Mr Jayanti Durai.

Sir, We are alarmed that the FT interpreted the recent "de-restriction" of documents by the World Trade Organisation as "encouraging" (Observer: "Trading on goodwill", July 29). The general council of the WTO decided on July 18 that documents "in any WTO document series shall be circulated as unrestricted with the exception of documents specified in the Appendix". The all-important appendix includes "working documents in all series (ie draft documents such as agendas, decisions and proposals as well as other working papers) . . . [and] minutes of meetings of all WTO bodies (except the Trade Policy Review Body) including Summary Records of Sessions of the Ministerial Conference". These exceptions mean essential information may only reach the public six months after circulation, if at all.

Consumers International, a federation of more than 200 consumer organisations worldwide, has been warning that the veil of secrecy surrounding the WTO compounds public anxiety about supranational rule and discredits the international trading system. It perpetuates the perception that trade agreements are dictated by a few behind closed doors. The WTO has a direct impact on ever-increasing sectors of our lives and without timely access to relevant information, consumers and other interested parties can have no input in trade discussions and agreements.

The WTO is bucking the trend towards open participatory international institutions. Even the World Bank operates on a presumption of disclosure unless there are compelling reasons not to do so.

Jayanti Durai,
economic affairs officer,
Consumers International,
24 Highbury Crescent,
London N5 1RX, UK

Illogical ban on shotguns

From Mr Howard San.

Sir, Your assertion in your editorial "Ban handguns" (August 1) that shotgun owners should be limited to one gun is specious. Presumably the logic behind the proposed handgun ban is to reduce the potential firepower that a semi-automatic weapon gives to an assailant thus forcing them to rely on knifes, machetes, bombs and flame throwers). By carrying several handguns the number of rounds that can be fired before having to re-load can be increased without a significant weight penalty.

The same cannot be said of shotguns. With their restricted magazine capacity of a maximum of three shots, any potential assailant would find carrying several shotguns impractically heavy and unwieldy. Therefore, such a ban would have no practical advantage, apart from assuaging the vociferous anti-gun movement, and inconveniencing many sportsmen and women who enjoy the sport of shooting.

Think before you jerk your knee!

Howard San,
17 Rectory Lane,
Long Ditton,
Surrey KT6 5HS, UK

No threats from Greek shipowners

From Mr John Ad. Hadjipateras.

Sir, I refer to your article "Greek shipowners protest at raid by UK tax authority" (August 1) which suggests that Greeks have "issued veiled threats that they may desert the London market . . . ".

Although I cannot deny that the recent events, to which these articles refer, have caused considerable concern in the City in general and not only among the members of the London-based Greek shipping community, which my association, the Greek Shipping Co-operation Committee, represents, it is wrong to state that the members of our community have issued threats.

The association between Greek shipping and the London market is not years, but centuries long. I believe that those Greek shipowners who have representative offices in London have benefited and our members are grateful for the hospitality they have enjoyed in the UK.

We like to think that Britain has also benefited from our presence and we hope and trust that this long and mutually beneficial association may continue to flourish in the future.

The issue of threats, veiled or otherwise, could not be further from our intentions.

John Ad. Hadjipateras,
chairman,
Greek Shipping
Co-operation Committee,
6 Middlesex Street,
London E1 7EP,
UK

Viviana Durante one of Royal Ballet's greatest assets

From Dr Jörg Schimmelpfennig.

Sir, I registered with disbelief that your ballet correspondent, amid his – as usual – caustic reporting on the Royal Ballet's summer season ("Will the real Royal Ballet stand up?", July 31), preferred to turn a blind eye to Viviana Durante's (for the time being) farewell to Covent Garden. Ms Durante has not only been one of the greatest principals this company had in recent times – far from being just a fine dancer she has unlimited acting talent, which in the end is the very essence of a true ballerina – but she over and over again proved to be a most reliable artist as well.

Anna Pavlova is said to have once been told that by dancing she had "made her admirers happy by enabling them to forget for an hour the sadnesses of life". Times have changed, but I should still like to attribute the same ability to Ms Durante's way of performing.

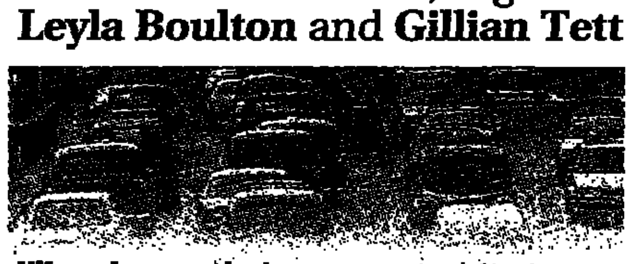
In her final *Manon* – because of the fundamental differences in ballet vocabulary between the final act and the first two acts this is one of the technically most demanding roles as well – no single step or gesture had a meaning other than in relation to the dramatic situation. It was a wholly believable reading of the role, honouring MacMillan's choreography, and respecting the virtues of early Romantic ballet the very way Fokine had redefined them. The audience was well aware of the special occasion and its seemingly endless, rapturous applause signalled it wanted not only this night never to end.

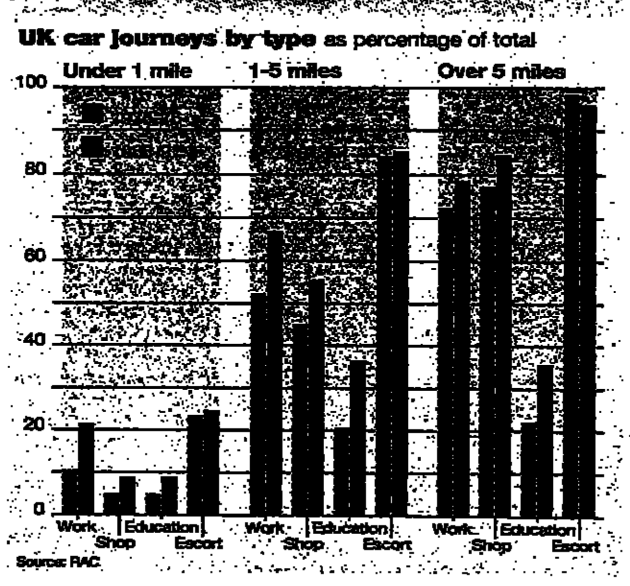
It was a truly great moment of ballet!

Jörg Schimmelpfennig,
Natruper Str. 109,
D 49076 Osnabrück,
Germany

Race on to clear the air

Drivers must be persuaded to use their cars less, argue **Leyla Boulton** and **Gillian Tett**





Vehicles chugging along at a snail's pace, masked cyclists struggling through the traffic, and pedestrians choking on exhaust fumes. These are familiar sights in many European cities as summer hots up.

Most UK drivers – 71 per cent – see air pollution and traffic congestion as the greatest problems of road travel. But reducing traffic congestion, the single most important cause of urban air pollution, remains difficult. Stricter emission standards have been drafted in Brussels, but they are unlikely to be sufficient unless drivers reduce the number of trips they make.

"Changing driver behaviour is the nub of the matter," says a UK official who is drafting a national strategy for eradicating health threats from air pollution by 2005, due to be published later this month.

The strategy will say that cleaner vehicle emission and fuel standards will reduce air pollution significantly over the next decade. But it will also say "planning and other measures which help to reduce the need to travel and reliance on the car" are necessary in the longer term to "avoid the prospects of an upturn in emissions that might occur from about 2010".

In a nutshell, a race is on to find technology that can clean up emissions before a build-up in traffic increases the amount of air pollution.

The costs of losing this race are clear. Every year, up to 20,000 people are admitted to UK hospitals suffering from respiratory ailments. The Department of Health estimates that as many as 10,000 deaths a year are attributable to respiratory problems aggravated by summertime smog and pollution from diesel vehicles.

Traffic congestion also delays the movement of goods and staff, adding £15bn a year to business costs, according to the Confederation of British Industry.

Efforts to tackle the twin problems of congestion and air pollution have so far concentrated on tightening standards for vehicle emissions and fuel quality.

The British government sees the acceptance by the European Council and parliament of the new draft European Union car emission and fuel standards – published by the European Commission in June – as critical to the success of its air pollution strategy.

The standards, drawn up after three years of joint research with the vehicle and oil industries, would cut emissions from vehicles by between 20 per cent and 40 per cent by 2000, equalling Californian standards which are the highest in the world. A second stage would explore going even further, to achieve a 70 per cent reduction in emission levels, by 2010.

The cost for the European Union of implementing the measures by 2000 is likely to be about Ecu766m (£610m) a year for the oil sector and Ecu2.4bn a year for car manufacturers. For consumers, this means an increase in average annual petrol bills of just £1.80 in 2000, and a rise in the cost of a medium-sized car by about £180.

Although the standards have already been criticised by environmentalists and manufacturers of clean technology as too weak, the Commission argues they are the best compromise. But the real challenge facing European governments is not whether industry will foot the bill for a new round of technological improvements to reduce traffic pollution, but whether individuals can be persuaded to use their cars less frequently.

UK motorists may complain about congestion, but they are reluctant to choose other means of transport. A survey for Lex, the vehicle leasing organisation, found that while 46 per cent of British drivers would support improvements to public transport, few would leave their cars at home if public transport services were made more attractive.

"The advantage for many of improved public transport would lie in attracting other car users off the road," the Department of Transport concluded in a green paper on transport and environment earlier this year.

But it also cited research suggesting that drivers could be persuaded to alter their behaviour by vigorous government action. A study by Westminster University showed that "people considered that personal, voluntary change of behaviour was a self-sacrifice which would be ineffective if not undertaken by the majority – which was thought to be unlikely without government action".

Mr Charles Secrett, director of Friends of the Earth, the environmental pressure group, says transport policies can change the behaviour of drivers. For example, the London Travelcard which makes travel on buses and trains cheaper and simpler, reduced central London traffic by up to 15 per cent within months of the scheme starting in the early 1980s.

Many European countries are considering financial penalties to persuade drivers to leave their cars at home. There are several different schemes, but all would involve charging motorists for using urban roads to reduce their use.

However, Mr Jeremy Vanke, policy chief at the Royal Automobile Club, warns that "the only way to make road pricing acceptable is to ensure alternatives are available". The RAC is prepared to see such charges only if the proceeds are used to provide better public transport and to improve the roads.

He also warns that there could be a public backlash if government measures are seen as socially unfair. This happened in Norway where charges were made for cars entering Oslo. "Middle-aged gentlemen continue to drive into work," says Mr Vanke, "while mothers with young children, many of whom run cars on a shoestring budget, have been hit."

There is growing interest in road charges among local authorities. The Association of Metropolitan Authorities, for example, is to launch a study on how its members might introduce them.

There are political obstacles, however, with all parties worried about alienating the voter at the wheel. The UK government and opposition Labour party both include financial incentives to reduce car use in their strategies for dealing with congestion and air pollution.

"The Conservatives and Labour are playing the same game," says Mr Vanke. "Neither wants to commit itself at this stage to something that is politically difficult."

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday August 5 1996

Profiting from the euro

The debate over the design of the future European payments system, Target, has triggered an outbreak of Emu *angst* in the City of London. French and German bankers are thought to be conspiring to make London and other single currency "outs" pay for their exclusion, in lost euro-denominated business and a weaker role on the world financial stage. A related fear is that British financial institutions lag behind their continental rivals in preparing for Emu.

As the Target issue has shown, Frankfurt and Paris want to ensure that the City does not gain all the privileges of being a member of Emu, but none of the disadvantages (not least, costly reserve requirements, which Germany is keen to impose on insider banks). But profiting from Emu at London's expense may not be easy.

The most important decisions regarding the structure of the new euro markets will be taken by the European Central Bank, not its precursor, the European Monetary Institute. The probable outlines of the system are increasingly visible, but little will be set in stone until 1998.

So the City's perceived failure to prepare for Emu may be rational. It probably makes sense for banks in Frankfurt and Paris to invest large amounts preparing for an as yet unspecified new system. They at least have the certainty that Germany and France will be founder members of Emu. But it is not clear that UK-based financiers should do the same.

Of course, the greater uncertainty about the UK's entry to Emu, and the delay in agreeing the fine print are behind much of the City's anxiety. The UK has a seat at the EMI table; but if it does not join Emu, it will not play a role in the ECB's decisions.

But even a hostile ECB is going to find it hard to draw tight distinctions between the ins and outs without hurting Frankfurt and Paris at the same time. Frankfurt is not the sum of German banks, any more than the City is the sum of British ones. It makes little sense to talk of discriminating against "outsider" banks when the lines between corporate nationality and location in the financial sector are probably fuzzier than in any other industry. Attempts to do so will make Frankfurt and Paris less, not more, plausible centres of international finance.

Given a looser regulatory regime, Frankfurt's position at the heart of the single currency area might help it corner the euro-denominated treasury markets after Emu. City firms should be prepared for this, just as they should be prepared for any potential source of international competition. But it is confused to believe that insider locations will be helped by attempts to erect a regulatory fortress between them and the "out"-side world.

Truth in Mexico

President Ernesto Zedillo of Mexico deserves credit for two important recent developments: a successful $6bn note issue that will allow the government to repay early most of the emergency financing obtained from the US last year, and an electoral reform accord among political parties.

He has stuck to an unpopular economic policy that is the only way of ensuring sustainable future growth in Mexico, and his electoral reform should make fraud in future Mexican federal elections much harder than in the past, removing a source of conflict.

Mr Zedillo needs to be bolder however, if he is to steer Mexico towards becoming a functioning democracy after more than 65 years of one-party rule. His commitment to abandon extra-constitutional powers used by past presidents is not enough on its own.

As he has recognised, measures are needed to strengthen the other institutions of state, which are pitifully weak. Congress requires research capacity to make more intelligent appraisals of legislation and the judicial system needs further deep reform.

Unfortunately, these institutions are also being charged with important tasks in the transfer to democracy that they are ill equipped to handle. The tasks relate to unanswered questions of the past which must be answered satisfactorily for there to be a clean break with the old regime.

They include the unsolved murders in 1994 of the PRI's presidential candidate, Luis Donaldo Colosio, and of other prominent Mexican figures. They also concern allegations of corruption in the previous government of Carlos Salinas.

To investigate these issues, Mr Zedillo should appoint a special commission, staffed with respected Mexicans such as the Nobel Prize-winning poet Octavio Paz. This would provide for the punishment of those guilty of greatest excesses of the past, and an amnesty for lesser offenders. It would emphasise the president's seriousness about changing the way Mexico is run. Most of all it would offer a version of past events that would have some credibility for sceptical Mexicans.

A truth commission is no panacea for Mexico's problems. It is necessary because of the weakness of the country's institutions and does not obviate the need to strengthen them. It entails risks, most significantly in the reaction of those in the ruling party who would wish to suppress the truth. Yet, given the current atmosphere of wild rumour and allegations, to do nothing would be riskier still.

Line fault

Telephone users in the UK should welcome the fact that British Telecommunications has assented to the proposals of Oftel, its regulator. Charges for many types of call will fall; competition should continue to rise. However, the long-running dispute between BT and Oftel over future charges and the scope of regulation raises concerns about the powers of UK regulators, which have resonance far beyond telecommunications.

From consumers' point of view, the deal is good despite the relatively lenient cap on future price rises. Regulation of charges to small customers remains tight, although larger customers must hope that Oftel is right to believe that competition will hold down charges.

The extension of Oftel's powers under an amendment to BT's licence – the second part of the package – should also help it to encourage competition. It has become clear that the advantages of the incumbent in many utilities are greater than expected, particularly economies of scale. Despite the favourable treatment given to cable, a slimmed-down BT has often undercut new entrants.

For BT's part, it had little choice but to assent to the package, once Oftel linked the pricing proposals with the licence amendment. Had BT taken the issue to the Monopolies and Mergers Commission, the MMC might have tightened the price cap further. Uncertainty was becoming a commercial handicap, as the aborted talks with Cable & Wireless showed.

But BT is right to keep probing the legitimacy of the licence amendment. The powers of a single person over a huge business, already considerable, have increased. Most important, under existing laws, there is no way for BT to appeal.

Mr Don Cruickshank, director-general of Oftel, has made clear that he would prefer that there were an appeals mechanism. By way of self-restraint, he has also laid out guidelines for using the new powers, but they are not binding.

This state of affairs is unacceptable. These problems have so far cropped up most clearly in the long-privatised and fast-changing business of telecoms, but they will arise in other utilities; the importance of these businesses, and the terms of their privatisation, demand a solution.

Many will suggest, as Labour appears to do, that ministers should have more control over regulators. This step, which would repoliticise a regulatory framework that overall is working well, would be undesirable. The better answer is to pass legislation to make appeals possible. A simple step, but one that should not be delayed.

Shaky truce on social battlefield

The increasing pace of social policy legislation from Brussels may create flashpoints that hurt the compromise among member states, says **Lionel Barber**

Few issues arouse more passion than the future of Social Europe. The subject can move the masses, shake governments, and still bring a tear to the eye of a buttoned-down Brussels bureaucrat.

Social Europe is about much more than the regulation of labour markets; it touches on the role of the nation state and the European Union as protector of minimum standards and benefits for the working man and woman and those out of work. It is, says Mr Padraig Flynn, the Irish commissioner for social policy, "a mark of civilised society".

For three years an uneasy truce has existed over Social Europe. Recession and high unemployment have blunted the thrust of activists pressing for a more ambitious agenda, while governments have been content to balance UK-led demands for faster privatisation, deregulation and labour market flexibility with their own attachment to the creaking continental model of the social market economy.

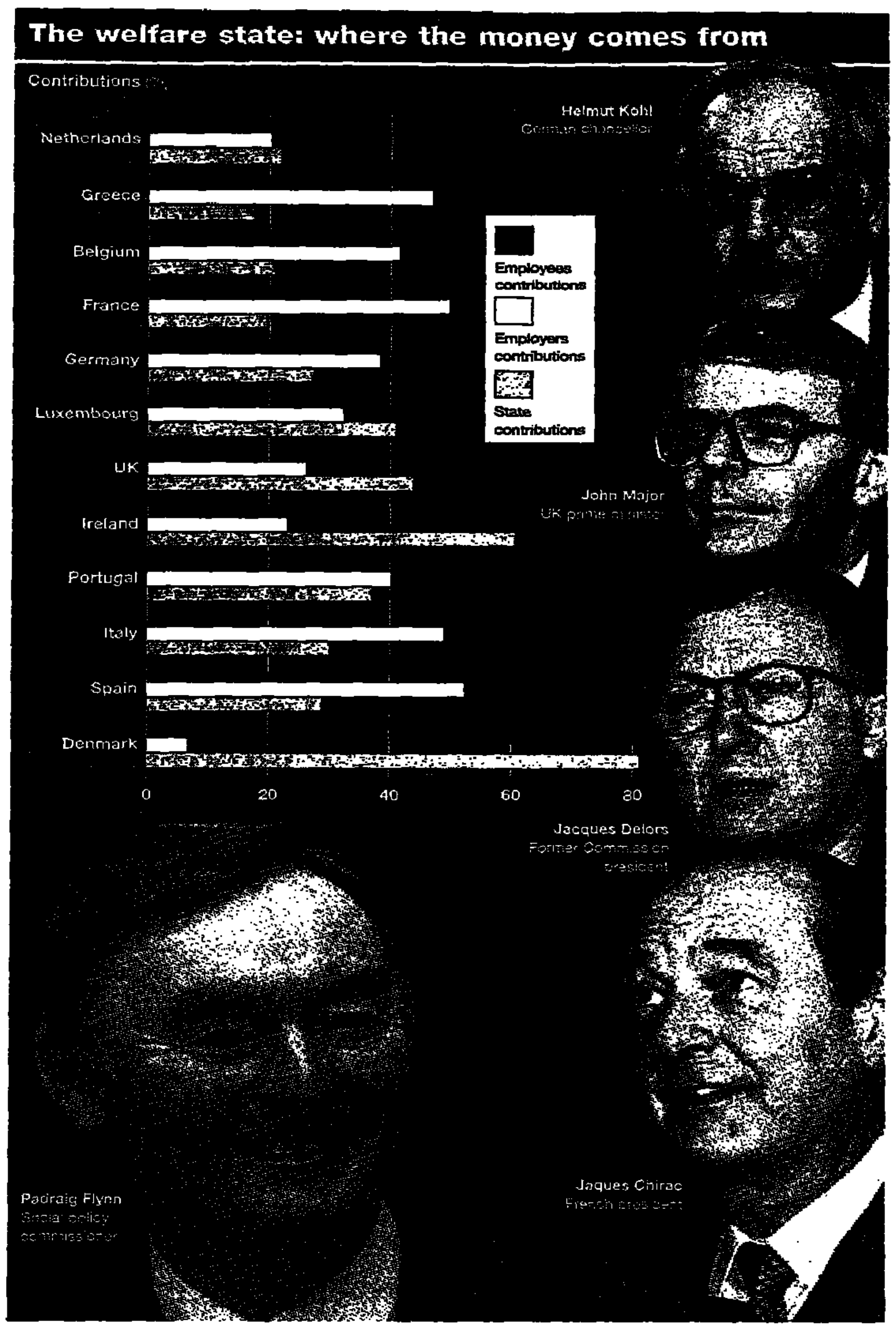
Today, the truce looks tenuous. As the pace of social policy initiatives from Brussels picks up again, several flashpoints are coming:

- The European Court of Justice in Luxembourg is expected to rule early next month on the UK government's legal challenge to the EU's directive setting a maximum 48-hour working week. If the directive is upheld, there will be a furore in Britain, where the directive symbolises meddlesome EU employment legislation.
- European employers and trade unions are braced for negotiations this autumn on a new EU directive on part-time work. The issue is sensitive because it covers workers' pro-rata rights to social security and pensions; but the outcome will also reveal the extent to which Brussels intends to intervene in the explosive growth of part-time work and fixed contracts in Europe.
- Pressure is increasing for a relaunch of employment policy to balance the deflationary impact of the budgetary discipline needed to meet the targets for economic and monetary union. "The Maastricht treaty is a necessary but not a sufficient condition for financial stability and employment," says a senior Commission official.

The debate on Social Europe has its origins in 1989 when Mr François Mitterrand, the president of France, was celebrating the 200th anniversary of the French revolution and universal human rights. He hit on the idea of a social charter to compensate for the dislocation caused by the new single market.

Mrs Margaret Thatcher, then UK prime minister, refused to sign the social charter, but the French-led crusade galvanised Brussels. Mr Jacques Delors, then president of the European Commission, and Ms Vasso Papandreou, the Greek social policy commissioner, revived 47 dormant social policy initiatives, one being the 48-hour working-time directive.

Mr Delors has since protested that critics caricatured his agenda as Brussels-driven harmonisation of employment policy. But the UK government saw a new caseload of EU social law as a threat to its success in curbing trade union power. These concerns led directly to Mr John Major, the UK prime minister, insisting in 1991 on an opt-out from the Maastricht treaty's social protocol.



The result is an elaborate compromise. The Commission may bring forward proposals on social legislation under the Maastricht treaty. If the UK objects to them, they are resubmitted under the social chapter (officially, the "Agreement on Social Policy" or Social Protocol) which applies to the other 14 member states.

The two-stage process acts as a brake on activism and is more flexible than the UK government likes to admit. For the first time, employers and trade unions have an explicit role in decision-making through "framework" agreements which can be interpreted at local level. "The presumption is not always in favour of legislation," says Mr Flynn.

Mr Zygmunt Tyszkiewicz, secretary-general of Unice, the European employers' federation, agrees: "The focus has shifted from the steady improvement of conditions for people in work towards tackling the problems of people out of work. And that means loosening up labour markets, and more emphasis on training and education."

So far, only two pieces of legislation have been adopted under the social chapter:

- The European Works Council directive providing for information and consultation between management and labour in companies with more than 1,000 workers, and with 150 in at least two member states.
- A directive which entitles workers to at least three months' parental leave before a child reaches eight.

The social chapter is not the only way that legislation can be introduced. Article 118A of the Single European Act allows decisions on working conditions to be passed by majority in the Council of Ministers. The 1993 working time directive went through under this procedure which the British view as a ruse to circumvent the social policy opt-out.

UK doubts about the use of Article 118A are shared in other EU capitals, notably Bonn. For although the German government is usually favourable to social policy, it is increasingly resistant to Brussels-led initiatives on employment, firstly on cost grounds.

Scarcely a day passes without German complaints about Germany's 30 per cent gross contribution to the Ecu90bn (£73bn) annual EU budget. Germany has funded the two big increases in the EU budget in 1988 and 1992 which funnelled money from Brussels into programmes such as training and help for the unemployed. Bonn has consequently served notice that it intends to block EU initiatives such as the programme for tackling "exclusion" which means more spending at EU level.

Germany's reservations about EU social policy are also based on legal grounds. Bonn is determined to preserve the present boundaries of responsibility between the Länder, the federal government and the European Union. The German slogan is: no new competences (responsibilities) for Brussels.

Thus German officials argue the best approach on social policy is to pursue minimum standards with maximum flexibility. This approach would take account of the needs of the weaker economies in the south, without obliging northern member states to reduce their higher levels of social protection and benefits.

The big exception is the revival of the long-blocked European company statute. The Commission, supported by powerful industrialists, argues the statute would scrap layers of national management in favour of a single European holding company, achieving savings in discarded red tape of up to $30bn (£19.74bn).

However, Britain and Ireland are worried that the requirement in the proposed statute for workers to be consulted could deter foreign investors, particularly from the US. Mr Flynn believes the success of the works council directive – already adopted by 160 multinationals – may have dispelled the worst fears, but he has yet to convince his compatriots in Ireland.

"There are 417 US companies employing 58,000 people or 24 per cent of the manufacturing workforce in Ireland," he admits. "That's a lot of jobs."

Member states are torn between the need to remain competitive in the global economy and a desire to impose common social rules inside the single market. This tension is certain to surface in the EU's intergovernmental conference to review the Maastricht treaty, the negotiations which have been chugging away for the past four months.

The focus is on Swedish-led plans to incorporate an employment chapter in the revised treaty. Though still sketchy, ideas include strengthening the co-ordination of labour market policy in the EU and raising the importance of employment as a counterweight to the Maastricht treaty's commitment to monetary stability.

If France gets its way, the employment chapter may also include a clause which would enshrine the right to universal public services, a sop to public-sector workers who have taken to the streets to protest over the break-up of monopolies in public utilities. The French goal appears to be a dilution of Article 90 of the Treaty of Rome which gives the Commission sweeping powers to liberalise monopolies.

These moves point to the next battleground in social policy: the reform of the public sector and the welfare state, including pensions and social security. The UK is further along the road of reform and could offer other member states useful experience of how to manage the change. But the British opt-out on the social chapter in effect leaves the UK on the sidelines.

As Mr Tyszkiewicz says: "Britain has an image problem. No one wants to be heard saying that the British system is good. It's a pity because there are lots of things about the British system which everybody could learn from."

This is the first in a short series on the social chapter and the UK

· OBSERVER ·

Slamming customers

■ The US may just have taken the necessary steps to create more competition among its telephone companies, but that isn't automatically good for consumers – particularly if it encourages a practice now known as "slamming".

One of Observer's acquaintances has just been subjected to this devious way of winning customers. Unbeknown to him, and despite having signed up as a customer of AT&T, his long-distance telephone calls were taken over by a rival company. A week later AT&T hit back, nabbing the account back for itself.

Consumers are told nothing of this game that is played with their account. Except that, each time they are "slammed", they are hit with a charge (in this case, $2.60 a time, hidden in the small print of the monthly bill). One call to the telephone companies and the charge disappears, with profuse apologies offered.

But how many callers are being slammed without ever realising? The full-blooded competition that is about to hit the local telephone business may well bring down visible call charges. But it will fall to regulators and customers to scrutinise bills to make sure that the apparent benefits really come good.

Length matters

■ Mention of the Vienna Declaration tends to call to mind 1993 and human rights. But it would seem that users of the German language have rights too. A group of the principal German-speaking areas – not just Germany, Austria and Switzerland, but Belgium, Liechtenstein, Hungary, Romania and the Italian South Tyrol – have just signed an agreement in Vienna designed to "eliminate oddities and contradictions" in the lingo. It is the first review since 1901, and discussions have been going on almost as long as a German portmanteau word – well, since the 1920s anyway.

The changes – to be introduced between August 1 1998 and July 31 2005 – do not, however, seem to be terribly radical, though a cull in the number of comma rules, from 27 to five, has to be progress.

The strange letter that Observer doesn't have on the keyboard but that looks like a Greek beta and that was originally the Gothic combination of s and z is also going, to be represented by two s's – but only after short vowels. It stays after long vowels (which doesn't sound like all that much of an advance).

Then there is the suspiciously Académie Française sort of tendency to make foreign words more German – Ketchup becomes Ketschup and Känguruh becomes Känguru (big deal).

Meanwhile, German school children will no longer have to puzzle over the spelling of that old chestnut, the Donaudampfschiffahrtsgesellschaftskapitän (captain of the Danube Steamship Company). It's a breeze now, because it becomes the Donaudampfschifffahrtsgesellschaftskapitän. (Non-German speakers not noticed the difference? Well, there are three fs rather than two fs in the Schifffahrt bit, more logical because it is made up of two words, Schiff and Fahrt.) And yes, the Danube Steamship Company went bust last year, so there is slightly less call than there was for references to its captain.

Thin-skinned

■ As the UK Labour leadership sets off to colonise Tuscany and Umbria, those frontbenchers who are left behind are valiantly producing the news for the depleted bulletins.

Nigel Griffiths, consumer affairs spokesman, has collated the amount the average British family spends on suncreams. The exorbitant prices, he says, are deterring people from protecting themselves, thereby exposing themselves to increased skin cancer risks.

Griffiths' consumer policy unit calculates that the better suntan lotions cost £2.49 per adult application; for an average family of two adults and two children that would correspond to £7.47. If the cream is applied three times a day, the family will spend . . . *wait for it* . . . £313.74 over a two-week holiday. No wonder 46 per cent of sunbathers do not use sunscreen at all.

Front line

■ A sign of the times in New York: the rubbish bins on Grand Central Station disappeared this week, a reaction to the bomb fears that are sweeping the US.

Commuters in London have been used to this for years. But for New Yorkers, many of whom board their morning trains brandishing disposable cups of steaming coffee, this presents something of a problem: what to do with all those empty containers?

Grand Central employees have taken to standing at the top of each platform with see-through plastic rubbish sacks to collect the debris.

The Financial Times

100 years ago

Failure Depresses the Market
The attendance in the Stock Exchange today has again been on a small scale, a good number of the members finding it more congenial to prolong their holidays than to return at once to the City. The cheerful tone that has marked business over the past few days was interrupted soon after mid-day by the report of the failure of Messrs. Moore Bros., of Chicago, with liabilities estimated at four million sterling. The firm is reported to be heavily interested in Diamond Match and New York Biscuit stocks.

50 years ago

Too Much Money
There is more currency in circulation than ever before: the level of banking deposits has reached heights never hitherto seen. Neither of these phenomena is a malady in itself; each is a symptom of a malady which is being kept under control by the complicated system of regulations. It is true that provided these controls are maintained, there is no harm in increases either in the note circulation or in the deposits of the public with the bank.

Controls, on the other hand, are never perfect and the greater the amount of that pent-up purchasing power, the greater is the temptation to find loopholes through the regulations.

FINANCIAL TIMES
Monday August 5 1996

State group aims to be world's largest mobile phone operator

China set to overtake AT&T

By Tony Walker in Beijing

China's state telecommunications monopoly is poised to become the world's largest mobile phone operator within a year, overtaking AT&T of the US, according to the official China Daily newspaper.

China Telecom, a subsidiary of the Ministry of Posts and Telecommunication, already has 5m mobile phone subscribers. Such is the rate of growth of cellular phone ownership, the figure is expected to reach 7m by the end of the year.

Mobile phones have become virtually standard equipment among Chinese businessmen, who use them because of a shortage of fixed telephone lines. China has one of the lowest rates of telephone coverage in the world – fewer than five telephones per 100 people on average, rising to 13 per 100 in the cities.

Demand in China for cellular phones has far outpaced supply, prompting the authorities to consider shifting emphasis from developing urban landline telephone networks to expanding the mobile network instead, according to Mr Wang Chunjiang, of the ministry.

"By 1997, China Telecom is expected to be the world's largest mobile telephone operator," Mr Wang said.

Foreign companies, including Motorola of the US, Nokia of Finland and Ericsson of Sweden, are producing mobile phones in China. Motorola plans to invest $2bn by the year 2000, producing communications equipment including cellular phones and pagers. The number of pagers in use is estimated to have reached 20m at the end of last year.

China Daily said China Telecom, the world's second largest mobile phone operator, had 3.6m Chinese customers at the end of last year, and was expected to grow to 18m by 2000.

The official Xinhua news agency said China had 5.12m mobile phone users at the end of last June.

China Telecom has enjoyed a virtual monopoly in the mobile phone market in China but will soon face competition with the establishment of a network by China United Telecommunications (Unicom). This is a venture involving the Ministries of Electronics Industry and Railways, and other state entities including the China International Trust and Investment Corporation.

Unicom plans to challenge the Ministry of Posts and Telecommunication monopoly by starting a digital mobile system this year with a capacity of 1m channels in 48 Chinese cities.

China's five-year plan for the period to 2000 aims to add more than 64m new land line subscribers to the present total of about 41m, doubling exchange capacity to 170m and adding a further 300,000km to the optical fibre network.

Croats under pressure in Mostar

Continued from Page 1

out would further destabilise the Moslem-Croat Federation, a pillar of the Dayton accords. "A pull-out would have very serious consequences, not only for Mostar, for the federation, for Bosnian elections and for the Dayton peace plan itself," Sir Martin said yesterday.

The stalemate casts an ominous shadow over Bosnia-wide elections set for September 14. The country's first national peacetime poll is intended to usher in the final phase of the year-long Dayton plan – the building of joint institutions aimed at reunifying the Moslem-Croat federation and the Bosnian Serb entity, Republika Srpska.

But the Croat boycott sets a precedent for extremist nationalist parties in control across Bosnia, suggesting that election results in September can be ignored by those who find them unpalatable.

Nationalist Croats claim Mostar as the capital of their self-styled mini-state Herceg-Bosnia. Last week Mr Tudjman, after meeting US President Bill Clinton, reiterated his pledge last November in Dayton to dismantle their self-styled state.

UK Labour party dilutes EU social chapter pledge

Concern at Brussels influence on Britain's employment policy

By John Kampfner in London

The UK opposition Labour party is reducing its commitment to introduce the EU social chapter on working conditions if it enters government, saying it will not necessarily accept increased involvement by Brussels in British employment practice.

Mr Tony Blair is becoming increasingly concerned at what he believes are moves by the EU social affairs commissioner, Mr Padraig Flynn, to broaden the scope of the chapter during negotiations at the intergovernmental conference.

The Conservatives have identified the social chapter as one area of policy where they believe Labour could be vulnerable in the general election campaign. Conservative strategists say the "opt-out" secured by Mr John Major in the Maastricht treaty will prove a strong electoral asset. The next general election in the UK must take place before the end of May 1997.

Mr Stephen Byers, appointed last week by Mr Blair to take charge of policy on the social chapter and industrial relations, said Labour remained committed to the chapter, but would not be rushed into implementing its provisions.

A Labour government, Mr Byers said yesterday, would consult employers and employees on the strategy. "As part of our opt-in we would wish to seek the agreement of companies and workers on a realistic timetable for the implementation of the detailed requirements."

Mr Blair signalled last month his discomfort with some aspects of the chapter when he said he would preserve Britain's veto, not just on tax, social security and pensions questions, but also on the idea of co-opting workers on to company boards (co-determination). Aides say he has been struck by the level of concern in British industry at the prospect of trade union officials being guaranteed such positions.

"The Commission seems to have a shopping list of add-ons to the chapter which could be difficult for us," a senior party official said.

Mr Blair is said to be particularly worried by moves that may oblige companies with more than 50 employees to set up works councils. The current minimum is 200, applying exclusively in companies employing workers in more than one country.

"Any proposals to extend the areas covered by the social chapter will be judged on whether or not they serve the national interest," Mr Byers said. Particular attention would be focused on their impact on the competitiveness of British companies.

The latest shift from Labour's previous strong commitment to the social chapter was greeted by Conservatives as evidence of further difficulty for Mr Blair.

Mr Ian Lang, UK trade and industry secretary, said last night that Labour could not soften the provisions of the chapter. "It is not a pick and mix. It would result in exactly the kind of social burdens that are destroying jobs in Europe and any suggestion of a timetable for the introduction of damaging legislation is false comfort."

Britain 'alone on 35 IGC issues', Page 5
Shaky truce, Page 13

THE LEX COLUMN

German holding hold-up

German companies claim they are becoming more performance oriented: insurance giant Allianz last week joined Daimler-Benz and Deutsche Bank in adopting an explicit return on equity target. But a more convincing sign of their commitment to shareholder value would be to start unfreezing the web of shareholdings that have the German corporate scene in a glacial lock. The numbers at stake are huge: Deutsche Bank's holdings in listed companies are worth DM24bn (£10.4bn); at DM23bn, Allianz's "permanent stakes" are just behind.

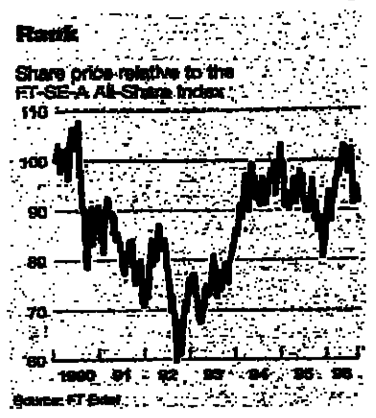
One routine excuse is that selling these holdings would trigger large capital gains tax liabilities. Deutsche's chairman Mr Hilmar Kopper last week said it would be unthinkable to sell a holding only to see 50 per cent to 60 per cent of the profits gobbled up in tax. And German companies are indeed at a disadvantage. Under German law stakes are always carried at book value or less; there is no indexation for tax purposes and less flexibility in offsetting capital gains against losses.

But the tax problems also serve as a convenient fig leaf; too many banks and insurers still see industrial stakes more as a source of influence and prestige than income. A change in the tax regime could weaken that argument. There is even a precedent: until the mid-1980s, German companies were allowed to realise hidden reserves tax-free so long as they reinvested the money within three years. Moreover, who knows? If the government played its cards right, a relaxation in the law that encouraged some big holdings to be liquidated might boost its own coffers.

Australia

Official interest rate movements tend to come in waves in Australia. So last week's half-point cut in the official cash rate immediately raises the question of whether a second move is close at hand.

The answer depends partly on the strength of the economy: latest figures suggest it is growing at a thumping 4.8 per cent. Nonetheless, unemployment is high, the housing sector is weak, retail sales are flat and performance within the corporate sector is patchy. Hence the Reserve Bank's expectation of "modest growth in activity overall". Moreover, the new government is committed to a tighter fiscal policy – specifically, an underlying budgetary balance by 1998-99. And a tough budget later this month should dampen demand, bringing year-on-year growth down nearer to three per cent in 1996-97.



Meanwhile, at 3.1 per cent, inflation remains a shade above the official target range. But wages growth, at 3.7 per cent, is comfortably within it. A breakout is always possible, but Australia's high unemployment rate and increasingly tough industrial relations climate make this less likely.

It will be several months before the budget impact becomes clear. Wage claims, too, tend to build up in the second half. But before Christmas, the Reserve Bank would be ready to make another, possibly downwards move. And no one will be keener than the new government to uphold the "cluster" tradition for rate changes.

BT

British Telecommunications may have lost the battle with its regulator, Mr Don Cruickshank, but it has come out of the war pretty well. Of course, BT could still win even the battle, if it can persuade a court that the regulator's sweeping new fair trading power is illegal. But failing that, Mr Cruickshank has essentially got what he wanted. True, the new power is to lapse in 2001. And Mr Cruickshank has agreed to incorporate changes – including a new Oftel-appointed advisory panel – making the new process more transparent. But BT has still had to abandon its fundamental objection: that the new powers gave it no right of appeal to an independent arbiter. And although BT and Oftel agree that new legislation providing an appeal route is needed, the company has failed to extract any clear commitment from the government to legislate quickly.

Still, given the carrot Mr Cruickshank was dangling, BT was quite right to roll over. The new domestic price cap on offer, at 4.5 per cent below inflation, is not particularly lax. But the Cruickshank proposal included a much bigger prize: removing price regulation altogether from the rest of the company's business. BT would have been foolish to risk jeopardising such a tempting prospect by forcing the issue to the Monopolies and Mergers Commission. Now this worry is past, shareholders can celebrate.

Rank

Mr Andrew Teare, the newly installed chief executive of leisure conglomerate Rank, faces arguably the most important test of his business career on Thursday, when he outlines the group's strategic direction. Like Sir Colin Southgate when he took the helm of Thorn EMI, Mr Teare inherits a mass of unrelated business fiefdoms parading under the unified banner of leisure. But the jewels in Rank's crown are rather less sparkling.

Mr Teare's core decisions at Rank must be what to sell, what to do with its Rank Xerox stake, and how to spend the proceeds. The previous management had a scatter-gun approach to investment. Instead Mr Teare should focus his abundant resources on the Hard Rock Cafe chain, bingo halls, and Rank's new multi-leisure centres. These all offer international potential and attractive returns; by comparison, at £100m each, Oasis holiday villages look disturbingly speculative.

Funds can come from re-allocating Rank's existing £1.2bn investment programme, but also from sales. Precision Industries, Pinewood studios and film distribution are obvious candidates. But so are the much bigger video duplication and film processing divisions, which are industrial rather than leisure businesses.

That leaves the problem of the 20 per cent stake in Rank Xerox. The least Mr Teare should do is admit the short-term nature of the stake and consolidate only dividend income, rather than its share of profits. This would leave Rank shares on a substantial premium to the market's average price-earnings multiple. But if Mr Teare can refocus a business that has been losing ground to competitors throughout its portfolio, Rank will rapidly grow to deserve its racy rating.

Iran complains to UN over US retaliation threats

Continued from Page 1

region are on the highest state of alert. US forces have received "no direct threat" against a specific target since the bombing, but a pool of intelligence suggests there will be another attack, US military sources said at the weekend.

Mr Gingrich called for swift US retaliation against any state proved to have been involved in recent terrorist attacks against American targets.

Mr Gingrich, speaking on the CNN television network, singled out Iran for criticism, calling for military action against what he said were 11 Iranian camps where as many as 5,000 terrorists were being trained to attack the US.

"If Iran is sponsoring terrorism," he said, "we should strip Iran of the capability of doing it."

He continued: "We have every right as a nation to defend ourselves by saying to the Iranian government, 'either you close down these camps or we will'."

The slow pace of investigations to determine responsibility for three suspected terror attacks – the Saudi bombing on June 25, the July 17 crash of TWA flight 800 and the Atlanta Olympics bombing – has sparked increasing public discussion of retaliation.

Mr Perry raised the prospect of military action in a radio interview on Friday, hinting that the US might attack Iran if investigators determined that Tehran was responsible for the Saudi truck bombing. But at the weekend he backed away from those comments, saying he had no direct knowledge that Iran was behind the attack. He said the complex nature of the attack and the size of the bomb pointed to "evidence of international terrorists".

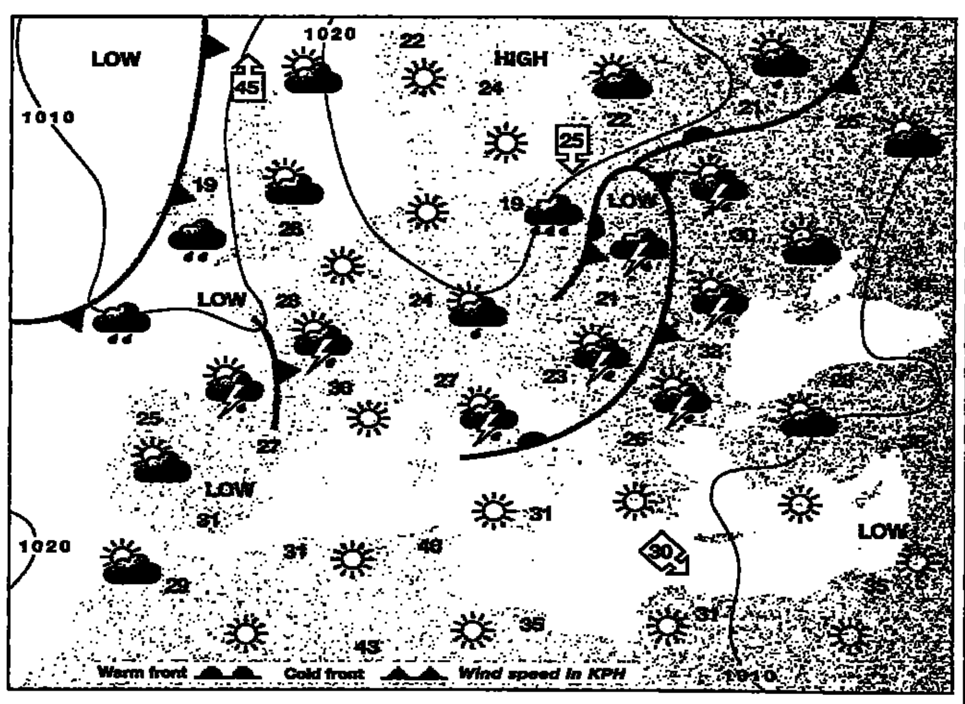
FT WEATHER GUIDE

Europe today

It will be wet in Ireland and western Scotland. The rain will be accompanied by strong winds in northern Ireland and western Scotland. Elsewhere in the British Isles, it will be dry with sunny spells. High pressure will bring sunshine to southern Scandinavia, Germany, the Benelux and northern France. There will be scattered thunderstorms over central and southern France and northern Spain. Showers are expected in the Alps. Eastern Europe and the eastern Balkans will have showers and thunderstorms.

Five-day forecast

Rain will move from the east across the British Isles on Tuesday. Thunderstorms on Tuesday and Wednesday in the Benelux, Germany, France and central and northern Spain are expected to clear by Thursday.
It will continue to be unsettled with showers or thunderstorms in eastern Europe.
Italy and Greece will be mainly sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	thund	28	Caracas	fair	31	Faro	sun	27	Madrid	sun	33	Rangoon	rain	31
			Belfast	rain	20	Cardiff	fair	24	Frankfurt	sun	25	Majorca	sun	32	Reykjavik	rain	12
Abu Dhabi	sun	44	Belgrade	fair	22	Casablanca	fair	24	Geneva	fair	28	Malta	sun	32	Rio	sun	24
Accra	cloudy	26	Berlin	fair	21	Chicago	sun	33	Gibraltar	sun	27	Manchester	fair	25	Rome	sun	31
Algiers	fair	31	Bermuda	fair	30	Cologne	sun	26	Glasgow	cloudy	22	Manila	rain	33	S. Frsco	sun	22
Amsterdam	sun	26	Bogota	thund	19	Dakar	thund	30	Hamburg	sun	23	Melbourne	shower	14	Seoul	fair	33
Athens	sun	34	Bombay	rain	31	Dallas	sun	38	Helsinki	fair	21	Mexico City	thund	26	Singapore	cloudy	32
Atlanta	thund	34	Brussels	sun	26	Delhi	rain	29	Hong Kong	thund	31	Miami	fair	32	Stockholm	fair	23
B. Aires	shower	16	Budapest	fair	21	Dubai	sun	45	Honolulu	sun	32	Milan	fair	29	Strasbourg	sun	27
B.ham	fair	25	C.hagen	sun	21	Dublin	rain	20	Istanbul	sun	31	Montreal	sun	29	Sydney	fair	19
Bangkok	rain	35	Cairo	sun	35	Dubrovnik	sun	28	Jakarta	fair	32	Moscow	fair	21	Tangier	fair	26
Barcelona	sun	27	Cape Town	fair	15	Edinburgh	fair	20	Jersey	fair	24	Munich	fair	22	Tel Aviv	sun	34
									Karachi	fair	33	Nairobi	sun	27	Tokyo	fair	26
									Kuwait	sun	48	Naples	fair	30	Toronto	sun	32
									L. Angeles	fair	24	Nassau	fair	32	Vancouver	fair	19
									Las Palmas	sun	26	New York	fair	31	Venice	shower	27
									Lima	cloudy	19	Nice	sun	28	Vienna	fair	21
									Lisbon	fair	24	Nicosia	sun	36	Warsaw	rain	18
									London	sun	26	Oslo	fair	23	Washington	fair	32
									Lux.bourg	sun	25	Paris	sun	29	Wellington	shower	12
									Lyon	thund	28	Perth	shower	17	Winnipeg	sun	23
									Madeira	sun	26	Prague	cloudy	18	Zurich	shower	24

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FINANCIAL TIMES
COMPANIES & MARKETS
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USAir moves to end link with BA

By Robert Rice in London

The US courts are to be asked to sever the three-year-old link between USAir, the American carrier, and British Airways.

The move comes as part of the antitrust lawsuit filed by USAir against BA over the UK carrier's plans to form a global alliance with American Airlines. USAir has asked the court to order BA to sell its 24.6 per cent share in USAir and withdraw its two nominee directors.

The BA board met on Friday to be briefed on the lawsuit, prompting speculation that BA will this week step up pressure on the US carrier to drop the action or face a counter suit from BA.

"Nothing is ruled in and nothing is ruled out. But British Airways has no intention of divesting its stake in USAir or of asking its two directors to resign from the USAir board," BA said yesterday.

Directors had been told that everything BA had done was consistent with the law and the UK carrier's obligations under the agreement with USAir. The company was satisfied it had no liability to USAir.

BA is angry it had no warning of the legal action. Meetings between senior BA and USAir managers had been taking place to work out how the alliance with American Airlines could strengthen USAir's position and there had been no hint of problems with the proposed alliance or of the pending lawsuit.

"It came as a bolt from the blue," the company said.

Directors are said to feel particularly let down because BA has stood by USAir through some difficult times over the past three years. The UK carrier lent USAir $4m to shore up its balance sheet and supported it in its marketing battle with Continental Lite, a subsidiary of Continental Airlines of the US.

BA also pointed out that there was nothing in the agreement with USAir to prevent either entering into alliances with other airlines.

The meetings between senior managers on the implications of the proposed alliance with American are said to be continuing, but BA said yesterday that since the antitrust lawsuit was filed there had been no top level contact between the two companies.

Even if USAir can be persuaded to drop the lawsuit, BA's alliance with American still faces an uphill battle.

The deal is under scrutiny by the Office of Fair Trading, the UK competition watchdog, and by both the European Commission and the US Justice Department.

The alliance, under which the two airlines would co-operate on transatlantic routes, is also strongly opposed by US carriers.

Six airlines have written to President Bill Clinton, urging him to suspend bilateral negotiations over a new "open skies" agreement until the UK has agreed that US carriers would gain access to London's Heathrow airport. The US has made an "open skies" agreement a precondition of its approval of the BA/American deal.

Rank to aim for £300m in disposals

By Scheherazade Daneshkhu in London

Rank Organisation, the diversified UK leisure group, has drawn up plans for a disposal programme to raise up to £300m ($468m) as part of a restructuring by Mr Andrew Teare, its chief executive.

Mr Teare will unveil details with Rank's first-half figures on Thursday.

The announcement is expected to include the disposal of Precision Industries, which makes equipment for the entertainment industry, and an overhaul of the way Rank accounts for profits from its holding in Rank Xerox.

It is believed Rank, which is considering selling its 29 per cent stake in the office equipment joint venture, is looking at ways to restructure its holding to avoid a hefty capital gains tax bill on such a disposal.

As a first step, Rank is likely to treat Rank Xerox profits in future as a dividend rather than through equity accounting, which has flattered past profits.

Had Rank treated last year's contribution as a dividend, its pre-tax profits would have been reduced from £407m to £275m.

Analysts, meanwhile, believe the sale of Precision Industries could raise about £75m, while Shearings, Rank's coach holiday business (which was put up for sale last month, could fetch £80m.

Yesterday, the company declined to comment on its restructuring plans. They follow a four-month review of Rank's businesses, which range from Hard Rock cafés and Butlins holidays to high-technology manufacturing.

As part of that review, Mr Teare is expected to announce cost cutting measures and a more unified management structure for Rank's four main units – holidays, recreation, leisure, and film and television.

Some analysts believe Mr Teare should propose a demerger of Rank's film and video businesses since they are not integral to the company's focus on packaged entertainment and leisure.

Rank's mature businesses, including Butlins and Haven, the caravan park operator, are expected to come under scrutiny and a freeze is likely on new Oasis Villages, which cost up to £100m each.

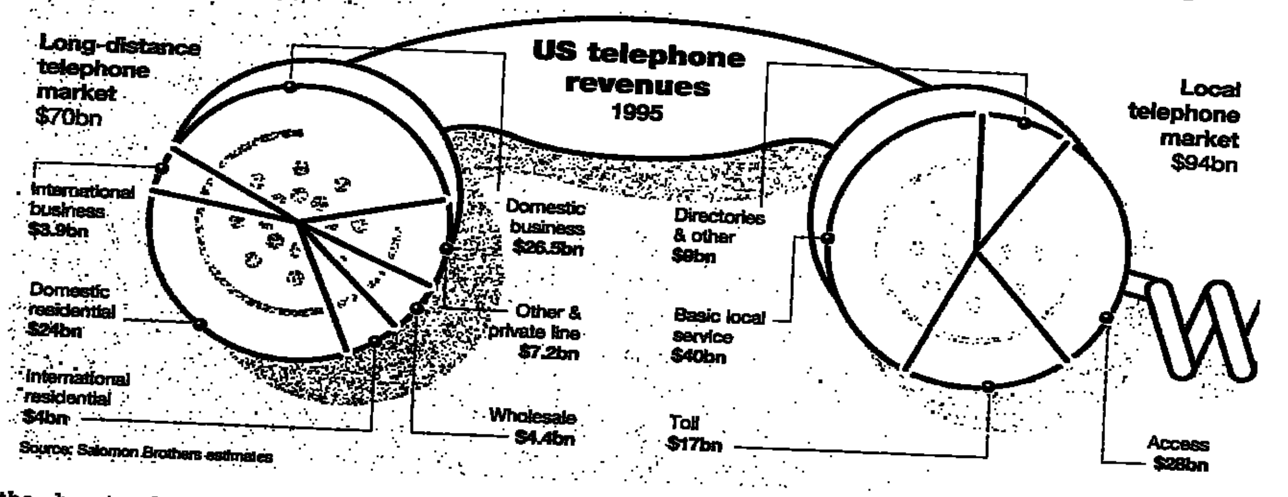
New areas for Rank's current £1.2bn investment programme are likely to include a much greater focus on developing its businesses overseas, notably by expanding Hard Rock cafés and multi-leisure centres into continental Europe.

Pre-tax profits for the first six months are expected to be £170m-£175m, against £157.8m last time under current accounting procedures, largely due to a one-off £15m profit from a revision of contractual arrangements with Texas Instruments, its US partner in one project.

Lex, Page 14

Richard Waters on forthcoming battles in the newly-liberalised US telecoms market

Hunt for the local heroes



Source: Salomon Brothers estimates

When the details emerged last week of just how the US plans to open up its $94bn market for local telephone calls to competition, the usual hunt for winners and losers got under way.

Will the new rules favour the long-distance companies, which will get their first shot at providing local calling? Or perhaps the local companies (known as Baby Bells), which will give up their regional monopolies but, in time, win the right to compete for long-distance calls as well? And what about the providers of cellular telephone and cable television services?

The answer, it turns out, is none of these. To judge by the 700 pages of regulations from the Federal Communications Commission, the biggest winners are the cost accountants.

The competitive market dreamt up by Congress in this year's Telecommunications Act will rely on rival telephone companies renting capacity on their networks to each other and completing each others' calls over their own lines. How this great interlinking should come about – how costs should be shared and prices set – will be the subject of haggling well into next year. It will also determine who the early winners are from deregulation.

The FCC has not set the prices. Those will be agreed in negotiations between the companies, subject to arbitration by the states. But the FCC has set guidelines that the states must follow in arbitration cases – in effect creating the field on which this game will be played.

Two broad questions lie at the heart of this cost-accounting debate.

The first concerns what are known as 'access charges' – the amount, generally estimated at between $20bn-$30bn a year, that long-distance companies pay to local companies to have their calls completed.

This is an issue that the FCC largely ducked last week. It is an inflated charge, as the Baby Bells are only too willing to admit. The cost of providing the service is far lower. But the Bells argue that they need the money to help cover the cost of providing a low-cost, universally available residential telephone service. The US's many local Public Utilities Commissions generally set the price of such service at a flat $15 or $20 a month.

The true cost to the Bells of the residential subsidy is a matter of conjecture. According to MCI, the long-distance operator, it is around $6bn. Ms Anna-Maria Kovacs, a telecoms analyst at Janney Montgomery Scott, suggests it is probably $10bn-$15bn.

Both are far lower than the present access levy and hint at how the Bells, encumbered by cost structures developed as regional monopolies in a regulated industry, are not yet ready for the competitive market. "If access charges went down to cost, there would be a very big hole [in the Bells' accounts] to fill," said Ms Kovacs.

The FCC has chosen to tread carefully, largely delaying a decision over access charges until a separate decision is made – by the middle of next year – on how to protect universal access to telephone service. "One of the great fears that anybody has in the public policy arena is to be seen as raising local rates," said Mr Gerard Salemme, chief lobbyist at AT&T, the leading long-distance operator. That fear will continue to inform the debate over access charges.

The second broad question raised by last week's ruling concerns the cost at which companies should rent space to each other. They can do that by selling calling space in bulk, or by renting out individual parts of their networks, such as the switches that route calls or the local loops that link each home to the network.

This, again, is fertile ground for the cost accountants. Bulk local calling volume will be sold at a discount – but how big? According to the FCC, the discount will be based on the costs (such as marketing) that the Bells have avoided by not having to sell at retail prices. That pointed to discounts of 17 to 25 per cent, the regulators suggested – well below the 40 per cent that AT&T has said in the past would be necessary to enable it to compete for local calling business.

The actual rates, though, will be set in negotiation and arbitration. AT&T, for one, suggested last week it believed it could assemble arguments for a bigger discount than this.

The cost of 'unbundled' pieces of the network, such as switches, is also a matter on which the accountants will spend may fruitful hours. However, the FCC handed a partial victory to the long-distance companies, which have argued that they should not forced to support the Bells' historic, obsolete cost structures. Instead, the prices will be based on a forward-looking measure of what it costs to provide these facilities in a competitive market.

Much hangs on the outcome of debates over the next six months or so. Will the Bells' clout in their local markets give them an advantage in the state-level arbitrations? What form of subsidy will replace access charges, and how long will any transition to a truly open market take?

In the meantime, there are some early pointers to the winners and losers from deregulation, courtesy of the stock market. Since February, when the act became law, a cloud has hung over the share prices of both local and long-distance companies, reflecting a sense of uncertainty. That will not quickly be dispelled.

But on Friday, after the FCC's order, it was the long-distance companies' shares that did best, MCI leading the way with a 5 per cent rise. That perhaps reflects the fact that local telephone competition is, finally, about to become a reality, opening a new market for the long-distance companies.

The Bells, on the other hand, will have to wait longer to be allowed into the long-distance business – while in the meantime facing a loss of market share in local calling and seeing their profit margins come under pressure from having to sell at bulk discounts and unbundle their networks.

Other apparent winners are equipment makers such as Northern Telecom and DSC Communications, whose shares also rose about 5 per cent each on Friday. If competition brings more calls, that will mean more switches and more telephone wire. On that, at least, there seems little debate.

INSIDE

CME

Central European Media Enterprises (CME), the US pioneer of private commercial television in central and east Europe, has increased its stake in Nova TV, the leading Czech broadcaster, from 66 per cent to 88 per cent. Page 17

IT Stocks

Shares in European publicly-quoted technology companies fell sharply between the beginning of June and mid-July, according to a London-based IT mergers and acquisitions specialist. Broadview Associates' latest European IT Index figures show that technology shares dropped 7 per cent between June 1 and July 16 – more than twice the decline shown by the FT-SE Eurotrack 100, which fell 3.1 per cent. Page 17

Christian Salvesen

The board of Christian Salvesen, the distribution group which last week rejected a £1bn takeover approach from Hays, is expected to meet in the next few days to consider an improved offer from its UK rival. Page 16

Ultra Electronics

Ultra Electronics, a former UK subsidiary of Dowty Group, announced plans to seek a stock market listing which would value the defence and aerospace electronics manufacturer at £120m-£130m. Page 16

Global Investor

Once again the ghosts of Japan's banks are proving to be unwelcome guests at the stock market feast. The irony this time is that, having been exhorted to put their house in order for so long, it is the prospect that banks might actually be trying to do so that is giving the market the jitters. Page 18

Kleinwort faces UK trust revolt

By Nicholas Denton in London

Independent directors of Kepit, the £500m privatisation investment trust in the midst of a takeover battle, are mounting a revolt against Kleinwort Benson Investment Management, its manager.

The directors, who are meeting tomorrow, may reject Kleinwort's proposals on restructuring the fund and opt for alternative ideas from Morgan Grenfell Trust Managers or other houses.

The entry of Morgan Grenfell Trust Managers, part of Deutsche Morgan Grenfell, gives a further twist to the battle, which began when TR European Growth, a trust managed by Henderson Touche Remnant, launched a hostile bid last week.

TR European Growth proposed to wind up Kepit, which invested in some unsuccessful privatisations and was trading at a discount to net asset value – its break-up worth – of 16 per cent.

Henderson's bid was another sign of how takeovers in the investment fund sector are being stimulated by the widening of average discounts of UK investment trusts from 7 per cent to 11 per cent in the last year.

Kepit's board rejected the Henderson bid and appeared to support Kleinwort's proposals to turn Kepit into a unit trust. But directors are understood to be irritated at the impression given by Kleinwort that conversion was a foregone conclusion.

On Friday, Kepit directors received alternative proposals from Morgan Grenfell, arguing Kepit should cut its exposure to the privatisation stocks. The move is not a bid but positions Morgan Grenfell to replace Kleinwort Benson as manager.

Mr Shane Ross, Kepit's chairman, said: "The proposals from Morgan Grenfell will be treated with equal seriousness as the proposals from Kleinwort Benson and any other."

One obstacle to a switch in manager would be the penalty of about £4m payable to Kleinwort if its contract was terminated. TR European Growth's bid would have cost Kepit fees of £8m.

Kepit's launch in 1994 was poorly timed. Earlier UK privatisation issues had outperformed the stockmarket as a whole. But UAP, and other French privatisations in which Kepit invested in 1994, performed poorly.

The board of Kepit had shown its displeasure before the current takeover battle. Kepit put Kleinwort on a performance fee which cut its annual payment of 0.75 per cent of net asset value, or £3.75m, by more than half.

Fund management, Page 16

COMPANIES IN THIS ISSUE

Anglo-American team wins Australian power auction

By Nikki Tait in Sydney

An A$2.35bn (US$1.86bn) bid from an Anglo-American consortium, in which the UK's National Power has a controlling 52 per cent stake, has won the auction for the Hazelwood power station being privatised by the Victoria state government.

The consortium – Hazelwood Power Partnership – will acquire the 1,600-megawatt power station, together with an integrated coal mine and Energy Brix, which makes and markets brown coal briquettes, electricity and other brown coal products.

It is the second generator to be sold by the Victoria government as part of its privatisation of the state's electricity industry. The first, Yallourn, was sold in March to another UK-led consortium headed by PowerGen for A$2.43bn.

The state government has already sold five electricity distribution businesses, most of which were acquired by US utilities or consortia in which US groups had a significant stake.

The Hazelwood sale means that the state government has so far raised A$13.6bn from its sale of electricity assets. The proceeds have gone to reduce the A$30bn debt which the current state government inherited from its predecessor.

The winning bid for Hazelwood was at the upper end of expectations and was described by Mr Alan Stockdale, Victoria's state treasurer, as "an excellent result".

National Power was joined in its consortium by two US power companies – Destec, with a 20 per cent stake, and PacifiCorp, with 19.9 per cent – as well as two Australian institutions. These are Commonwealth Financial Services, with a 6.1 per cent interest, and Commonwealth Bank of Australia, with a 2 per cent stake.

PacifiCorp has already acquired Powercorp, one of the distribution businesses sold off last year.

Since the restructuring of Victoria's electricity industry, generators compete to sell electricity into a wholesale pool.

Australia does not have a national grid as yet, although moves have been under way for some time in the eastern states to establish such a set-up.

COMPANIES AND FINANCE

Salvesen to consider improved Hays bid

By Tim Burt

The board of Christian Salvesen, the distribution group which last week rejected a £1bn ($1.56bn) takeover approach from Hays, is expected to meet in the next few days to consider an improved offer from its UK rival.

The company is understood to have received a letter from Hays at the weekend containing revised proposals for a cash and paper offer.

The move follows the rejection of Hays' earlier 370p-a-share bid, which Salvesen directors described as inadequate.

Company officials hinted that the board was unlikely to recommend an offer of less than 400p a share.

Moreover, Salvesen indicated that it had not been convinced by Hays' claims of strong industrial synergies between the two sides and the promise of a dominant position in continental Europe.

Industry analysts, meanwhile, have warned Hays that a bid worth more than 390p a share would risk diluting its own earnings per share.

The Surrey-based distribution company was said at the weekend to have not yet "formalised" its offer and described the details of its fresh approach to Salvesen as exploratory.

It has assured institutional shareholders that it will not overpay for Salvesen, which earlier this year reported a flat pre-exceptional profits of £76.6m (£77.7m) for the 12 months to March 31, 1996.

Mr Ronnie Frost, Hays' executive chairman, last week sent a letter to Sir Alick Rankin, his Salvesen counterpart, in which he is understood to have offered 57 Hays shares and £73.10 in cash for every 86 Salvesen shares.

Hays yesterday refused to disclose the contents of its latest approach to Salvesen. But analysts said the company was aware that either it had to increase the offer or walk away.

Further discussions about the proposals were conducted at the weekend through Schroders, the merchant bank advising Hays, and SBC Warburg acting for Salvesen.

Dairy Farm director to stand down

By Louise Lucas in Hong Kong

Mr Graeme Seabrook, managing director and group chief executive of Dairy Farm International, the food retailing arm of Singapore-listed Jardine Matheson, is to quit at the beginning of next month.

His departure, attributed to personal reasons, comes after a series of reshuffles aimed at beefing up management and means that Mr Chris Nelson, chief executive of Dairy Farm Asia, will assume the top slot until a new managing director is found.

Mr Seabrook had been with Dairy Farm for three years, and was previously chief executive of Kwik Save, the discount retailer and Dairy Farm's UK listed associate.

Once Mr Seabrook's replacement has been recruited, Mr Nelson will also leave Asia – as previously announced – to take up a new position as become regional director (Europe).

He will assume responsibility for the lossmaking Spanish chain, Simago, which was acquired by the company in May 1990.

Dairy Farm has been performing poorly in recent years, and last year suffered a 36.8 per cent drop in net profits which fell from $213.8m in 1994 to $135.2m (£86.6m) last year.

Asia is the engine of the group, accounting for some 44.7 per cent of trading profits last year, while Europe turned in a loss.

The weak performance has been blamed by analysts on management's failure to keep abreast of the competition.

Ultra Electronics heads for market

By Tim Burt

Ultra Electronics, a former subsidiary of Dowty Group, announced plans at the weekend to seek a stock market listing valuing the defence and aerospace electronics manufacturer at £120m-£130m ($187m-$203m).

The company, which relies on UK defence orders for more than 50 per cent of its sales, hopes to raise about £60m from a partial institutional placing.

Most of the proceeds will be used to repay preference shareholders and provide an exit for backers of its 1993 buy-out from TI Group, which acquired Dowty in 1992.

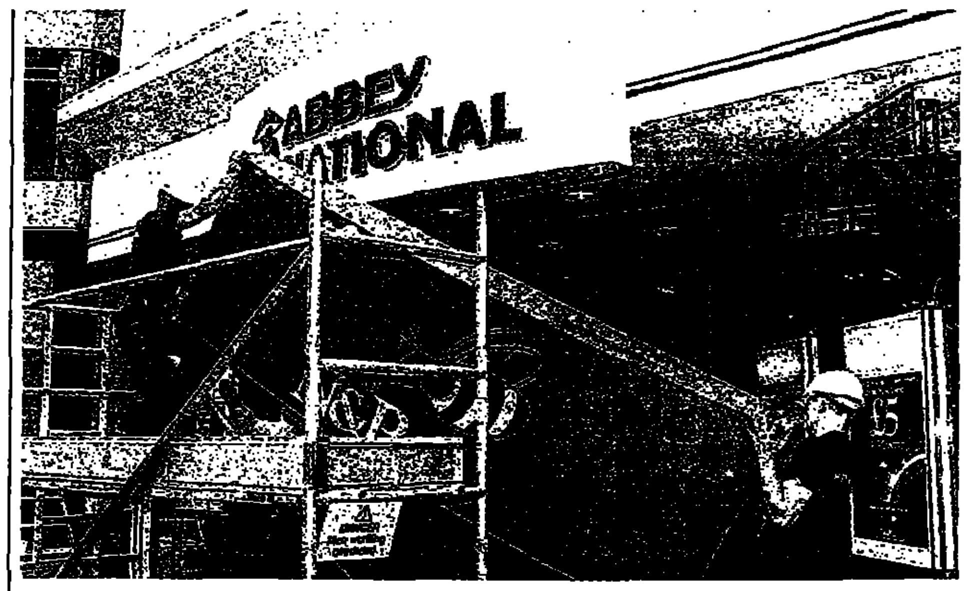
Under the flotation plans, venture capital groups including Phildrew, part of UBS, 3i and HSBC Private Equity, will see their 73 per cent stake roughly halved.

Ultra, which has a forward order book worth £184m, last year enjoyed a sharp increase in underlying profits from £4.6m to £10.6m on improved sales of £97.3m (£80.3m).

Mr Julian Blogh, chief executive, said its prospects had been further bolstered by its status as a British Aerospace supplier on the new-generation Nimrod maritime patrol aircraft and the Eurofighter.

Yesterday, he also announced plans to develop Ultra's presence in North America with the $9.5m (£6.1m) acquisition of MSI, the US tracking controls manufacturer.

The flotation is being handled by Schroders with Cazenove acting as brokers.



N&P busy bee buzzes off

The busy bee of National & Provincial, which has served its northern constituency for 150 years, disappears today as its £1.35bn ($2.1bn) takeover by Abbey National becomes official, writes Motoko Rich.

The Abbey name will go up in place of the N&P banner on 200 branches. Customers of the 125 N&P branches being closed will be directed towards one of the 867 branches in the enlarged Abbey network.

Abbey inherits 2.5m customers and lifts its share of the UK retail savings market from some 7.5 per cent to 10 per cent. Its share of the mortgage market should rise from 12.5 per cent to 15 per cent.

Skynet attacks 'spurious' claims

By Clay Harris

Skynet Corporation, a company set up to offer a sophisticated service to track vehicles by satellite, hit back yesterday at a possible challenge to the intellectual property rights to its technology.

An adviser said Skynet had "conducted a thorough investigation over the weekend and can categorically confirm that that the allegations are spurious and totally unsubstantiated."

Skynet says it acquired the intellectual property rights to the Skynet 2000 vehicle security and tracking system and the software linking it to a central station bureau from Comware ASB, a Danish company owned by Mr Mogens Birkelund, who had originally conceived the idea for the product.

The possibility of a challenge was raised on Friday by Mr Tony Mayes of Wilmslow, Cheshire, who said that a company of which he is a shareholder and former director had signed a contract with Mr Birkelund in early 1995 forbidding him from selling the rights to anyone else in the UK.

Skynet is trying to raise £2m ($3.1m) in a placing as it moves from the unregulated Ofex market, where its shares have multiplied by 10 in less than two months, to the Alternative Investment Market. The placing is due to close tomorrow.

Allders close to £23m deal

By Conner Middelmann

Allders, the UK retail group, is close to buying several department stores from Owen Owen, the 13-store chain owned by Mr Philip Green, the retail entrepreneur.

Allders is expected to acquire between eight and 10 of the stores on a going-concern basis for about £23m ($36m). It has been eyeing Owen Owen as a possible bid target for several years, but negotiations have only now become serious because for the first time Allders is able to look at the stores selectively, rather than buying the whole group.

Allders, which sold its duty-free business to Swiss Air for £160m last month, is sitting on uncommitted cash resources of more than £100m. The sale was a shrewd move in view of the fact that duty-free sales within the European Union will be abolished in 1999.

Allders said yesterday that it intends "to return a significant amount" of its £100m cash pile to shareholders. Market observers have been speculating that about half of that balance would be returned to shareholders, either by issuing a special dividend or through a share buy-back, and the remainder would be used for acquisitions and refurbishments of the 12 department stores Allders already owns.

It has not been indicated yet whether the newly acquired stores will trade under the Allders name, as do all of the group's shares, except for Arding & Hobbs in Clapham. Allders shares closed unchanged at 200p on Friday.

TI to strengthen Bundy tubes side

By Tim Burt

TI Group, the specialist engineering and aerospace company, is strengthening its Bundy tubing division by acquiring a Brazilian refrigeration components business for £15.5m ($24.2m).

Although the purchase price is relatively modest, TI said the cash acquisition of Alcan Aluminio do Brasil, part of Alcan Aluminium, was significant because it would enable the group to use Alcan's advanced evaporator systems in all its existing products.

The system, known as Roll-Bond, currently accounts for more than 60 per cent of world production for customers such as Whirlpool and Electrolux.

Mr Bill Laule, chief executive of Bundy, said the deal would enhance its position as a global supplier of heat exchange equipment.

Brunner Mond plans listing

By Conner Middelmann

Brunner Mond, the UK's only manufacturer of soda ash and refined sodium bicarbonate, plans to list its shares on the London market in the autumn, raising about £60m ($93.6m).

The company was last listed in 1926 before it merged with three other companies to form ICI. It remained a part of ICI until 1991, when it was purchased through a buy-out financed by a syndicate of investors led by CVC Capital Partners and Byvest Advisers.

Brunner Mond has an 80 per cent share of the UK market for soda ash, which is an important raw material in the manufacture of container and flat glass, detergents and other chemicals.

Its UK customers include all leading glass manufacturers such as Pilkington, PLM Redfearn, Rockware and United Glass, as well as leading detergent manufacturers, including Procter & Gamble and Unilever.

Brunner Mond is estimating turnover of £138.8m and operating profit of £19.4m for the year ending June 30, 1996.

Baring Brothers International is acting as sponsor and underwriter and HSBC James Capel as stockbroker to the flotation.

FINANCE

Why vulture funds are vital to ecology

Nicholas Denton reports on the increase in takeover activity for investment vehicles

FUND MANAGEMENT

Henderson Touche Remnant's bid last week for Kepit, Kleinwort Benson's £500m European privatisation trust, is the latest in a series of attempts to take over investment vehicles. In May, the $385m (£247m) GT Chile Growth Fund reached agreement with Regent Kingpin, the aggressive investment management group, after a drawn-out struggle. And, in June, Peregrine Securities led an attempt by a majority of investors to change the way the £200m Malaysia Equity Fund was structured.

What these targets all had in common was that they were trading at a particularly large discount to net asset value. Investment funds, of which investment trusts are a subset, are vehicles for specialist investment. For instance, a UK pension fund might wish to gain exposure to Taiwan, but have little knowledge of what individual stocks to buy. Investment in a Taiwan country fund is a solution.

The problem is that most investment funds, like any conglomerate with a broad portfolio, trade at a discount to their net asset value. In effect, the are worth more broken up. When that discount hits 15-20 per cent, it becomes viable to mount a bid for the fund. There are many ways to release value, from winding up to "open-ending." In an open-ended fund, investors are free to withdraw their money and the managers obliged to buy and sell units at net asset value.

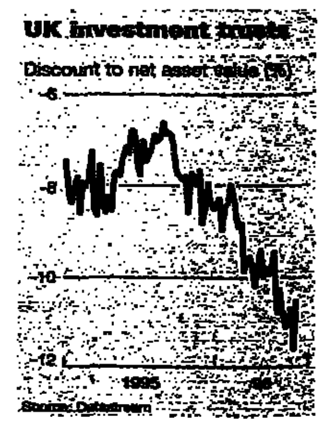
Since August last year, discounts in investment trusts listed in the UK have been steadily widening. The average discount, reversing an earlier decline, has risen from 7 per cent a year ago to 11 per cent at present. The Malaysia Equity Fund and GT Chile were both trading at about 20 per cent below net asset value when they were attacked.

The discounts of investment funds largely follow a rhythm of their own, unrelated to underlying markets. Discounts encourage takeovers, which reduce discounts. And some of the funds which have proliferated in the last ten years have come to the end of their natural life.

Another factor is the growing maturity of emerging markets. Many investment funds exist to give institutions access to often illiquid emerging markets. Since 1993, mainstream institutions such as pension funds, anxious to invest in growing economies, have increasingly made emerging markets a key part of their portfolios. As their research into these countries has developed, the institutions have grown sufficiently confident to invest in individual stocks. That has become easier too as local stockmarkets become more liquid. Therefore institutions no longer need rely to the same extent on middle men such as investment funds.

The final reason for the increase in takeover activity is the changing nature of boards. Previously, they were close to the investment managers. But the Cadbury recommendations have made boards more accountable to shareholders. Mr Shane Ross, chairman of Kepit, is a good example. He has taken a line strongly independent of Kleinwort Benson Investment Management. "Our sole interest is to maximise shareholder value, and nothing else," he said yesterday.

The growing openness of boards to outside proposals plays into the hands of the vulture funds and other institutions specialising in investments in discounted investment funds. Regent



Pacific, based in Hong Kong, and Buchanan Securities, in London, are two of the most high-profile. But even mainstream institutions such as Hermes, which manages the post office workers pension funds, have supported hostile bids. One should not expect an explosion of deals in the sector. There are plenty of investment trusts on discounts of 20 per cent or more. But targets need to be larger than £200m to make a takeover attempt worthwhile, which limits the possibilities.

There is also the danger of a backlash against some more controversial bid tactics. While the UK takeover code applies to targets such as Kepit, it does not to those such as GT Chile which are registered offshore. The fact that many are still listed in London gives the Stock Exchange some influence. It is considering rule changes which would make it harder for a fund manager to take a stake in a listed fund and then award itself a lucrative investment management contract.

Nevertheless, analysts expect a series of bids in the investment trust sector. That should begin to reduce the discount which encouraged the activity in the first place. For all their sometimes ugly appearance, the vulture funds are a vital part of the ecology of the investment fund sector.

COMPANIES AND FINANCE

NEWS DIGEST

Compaq expands into workstations

Compaq Computer, the leading US PC manufacturer, will today announce its entry into the $14.2bn workstation market as part of ambitious expansion plans. Workstations from Compaq will be based on Intel's Pentium Pro microprocessor and will use Microsoft's Windows NT Workstation operating system. This is the fastest-growing segment of the workstation market, according to US research group Dataquest, and should reach about $17bn by 2000.

The market for such high-performance PCs, traditionally used for specialised work such as on-screen design, is currently dominated by those running on the Unix operating system and Risc (Reduced Instruction Set Computer) microprocessors. Compaq plans products that will be priced well below such workstations.

However, the computer group is unlikely to affect the bigger manufacturers such as Sun Microsystems, Hewlett-Packard, IBM and Digital Equipment, according to Mr Andrew Feit, senior analyst at Dataquest. "Users could save money, but the costs of migrating their applications to a different platform and retraining staff are considerable. Where Compaq is likely to succeed is in attracting new users," he said.

US companies Elsa and Intergraph Computer Systems will license 3D graphics technology to Compaq to include in its workstations. Several key workstation application developers are expected to announce their support for the Compaq workstations.

Compaq will face competition from big computer vendors Hewlett-Packard and IBM, which also have plans to introduce Windows NT/Pentium Pro workstations.

Tom Foremski, San Francisco

Inflation helps lift Corimon

Corimon, the Venezuelan paints groups, reported net profits of 12.2bn bolivars ($25.8m) for the first quarter of its 1996-97 fiscal year, up from an inflation-adjusted 263m bolivars for the same period last year.

The company said it saw a 10.5bn bolivar monetary gain from accumulated inflation of 30.86 per cent during the quarter to June 30, while the foreign exchange rate remained stable.

Last month the company reported a net loss of 60.5bn bolivars for the year ended March 31.

"External effects such as inflation and the currency exchange rate impacted the closing of our [last] fiscal year negatively," said Mr Francisco Layrisse, Corimon executive president. "But those same [factors] in the first semester have generated positive effects, improving our results considerably."

Following a financial crisis late last year caused by its inability to service foreign debt obligations, Corimon cut operating costs and spun off foreign holdings. It also recently had a 33bn bolivar capitalisation scheme approved by shareholders. The Venezuelan operation reduced its costs by 1bn bolivars during the first quarter of 1996.

Yet Mr Layrisse said: "The financial situation remains weak and we now need to consolidate financial and operative restructuring in order to achieve financial stability."

At 12.1bn bolivars, sales were down in the first quarter by 23 per cent in real terms over the same period last year. This was blamed on recession in Venezuela, which particularly affected the group's packaging firm Montana Gráfica-Convepal.

Raymond Colitt, Caracas

Novo Nordisk sues Eli Lilly

Novo Nordisk, the Danish company which claims to be the world's leading insulin producer, is suing its big American rival, Eli Lilly. Its case, before a New York district court, alleges the US group is marketing its human insulin cartridges in packaging containing false and misleading statements concerning Novo Nordisk's products and trademarks. The insulin cartridges are used in injection "pens" by diabetes patients.

The president of Novo Nordisk Inc, Mr Ken Capuano, said Lilly was giving users the impression that Novo Nordisk had approved the use of Lilly cartridges in Novo pens, which is not the case. Lilly had tried the same thing in other markets and failed, he said.

"We are warning healthcare professionals and those people with diabetes who use Novo Nordisk products that our warranty is invalid if other products should be used in our pens," Mr Capuano said.

Hilary Barnes, Copenhagen

FCC to sell Brierley stake

Diversified Singapore property company First Capital says it is in talks with Malex Industries Berhad to sell a 20 per cent stake in New Zealand's Brierley Investments.

FCC, controlled by Malaysia's Quek Leng Chan, said its 40 per cent associate company, Camerlin, which holds the Brierley stake through a subsidiary, is negotiating the sale. It said a price would be finalised when a "definitive agreement" is reached. FCC said it would then make a further announcement.

Camerlin is a consortium of Asian companies led by FCC. The others include Sembawang and Haw Par Brothers International. The Asian consortium bought the 20 per cent stake at NZ$1.40 a share, or a total of NZ$680m (US$464.6m), in March. At the time of the purchase, analysts rated the consortium's interest as a plus for Brierley, saying it would lead help the NZ company's Asian expansion.

Reuter, Singapore

CME buys bank's stake in Czech TV group

By Kevin Done, East Europe Correspondent

Central European Media Enterprises (CME), the US pioneer of private commercial television in central and east Europe, has increased its stake in Nova TV, the leading Czech broadcaster, from 66 per cent to 88 per cent.

It has taken over the stake held by Ceska Sporitelna, the Czech Savings Bank, in a deal worth Kc1bn ($37.7m).

Separately, CME has become embroiled in a legal battle with Scandinavian Broadcasting System for control of Kanal A, a small privately-owned commercial television station in Slovenia.

In the Czech Republic, Nova TV has quickly emerged as the main money-spinner in the CME group since its launch in 1994. It quadrupled pre-tax profits to $39.05m last year, its second year of operation.

Ceska Sporitelna's sale of the Nova TV stake will significantly increase its operating profits this year. The bank was one of the original investment partners in the station in 1993, buying its stake for less than $3m.

The disposal enables Ceska Sporitelna, one of the big four Czech banks, to comply with regulatory pressures on banks to reduce their equity holdings in Czech industry. It is also a step in the group's strategy of concentrating on the development of financial operations.

The sale also strengthens the bank's loan portfolio. As part of the deal, it will provide a Kc850m loan to CME to part-finance its purchase of the additional Nova TV stake.

The bank is keeping a 2 per cent voting stake in the broadcaster. It also remains Nova TV's leading bank creditor, and has retained a seat on the board.

Mr Leonard Fertig, CME chief executive, said the US group planned to sell on part of the additional Nova TV holding to financial institutions in the Czech Republic "to assure increased Czech participation in the future".

Nova TV has eclipsed state-owned rivals in its first two years of operation, establishing a market share of about 70 per cent of Czech television viewers, although its performance has been hit by the screening of the Euro 96 football championship and the Olympics by Czech state television.

In the past three years, CME has launched commercial television operations in the Czech Republic, Slovenia and Romania. It has stakes in several regional broadcasters in Germany, and is due to begin broadcasting in Slovakia at the end of August.

In Slovenia, CME faces a legal battle with Scandinavian Broadcasting System for control of Kanal A.

CME announced last month that – along with other Slovenian investors – it had acquired a 66 per cent stake in Kanal A from Vladimir, Denis and Peter Polic, the majority owners.

The deal was supposed to result in Kanal A broadcasting Pop TV programming, produced by Pro Plus, the Ljubljana-based company established by CME and its Slovenian partners last year.

SBS, which has a one-third stake in Kanal A, is seeking to block the CME deal, however, as competition intensifies among western groups for a share of the growing east European commercial television market.

SBS and CME are also expected to be rivals in the tendering process for a national commercial television licence in Hungary, which is likely to open in the autumn.

Sharp fall in Europe's IT stocks

By Paul Taylor

Shares in European publicly-quoted technology companies fell sharply between the beginning of June and mid-July, according to Broadview Associates, the London-based IT mergers and acquisitions specialist.

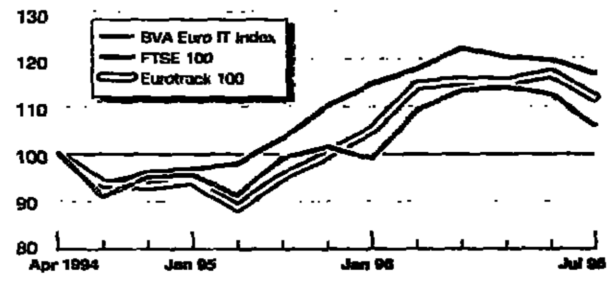
Broadview's latest European IT Index figures show that technology shares dropped 7 per cent between June 1 and July 16 – more than twice the decline shown by the FT-SE 100 Index, which lost 2.8 per cent, and the FT-SE Eurotrack 100, down 3.1 per cent.

After strong gains since the start of the year, Broadview's Index peaked around the start of June, when it stood at 113.88 points. By mid-July it had slipped back to 105.72. The decline was broadly based, with hardware suppliers, software and services companies, telecoms services and media and content services all showing losses.

However, the European losses were less pronounced than on the technology-heavy US Nasdaq exchange over the same period. The US sell-off was prompted by poor quarterly results from a number of leading technology companies, coupled with low growth forecasts in some sectors, particularly the semiconductor and personal computer markets.

Mr Brian Mercer, a Broadview managing director, said: "Technology stocks rose more than 25 per cent between April 1995 and June 1996, and this correction was overdue. What we are seeing now is the lag before new growth as inventory works itself out."

IT Index performance



Source: Broadview Associates

Price war takes toll at Asahimas

By Peter Montagnon, Asia Editor

Asahimas Flat Glass, the Indonesian unit of Japan's Asahi, has reported a 2 per cent decline in first-half sales, to Rp188.6bn ($81m), after a bruising price war with Mulia Industrindo, its biggest rival.

The poor results were largely expected by analysts, who have been downgrading profit expectations in the wake of poor demand from the automotive and building sector so far this year.

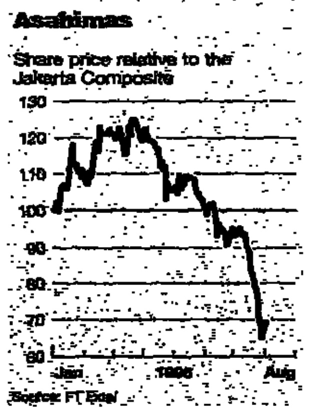
Indonesia's glass market shows signs of suffering a similar squeeze to that in China, where a slowdown in building activity and falling car sales caused a drop of 32 per cent in the profits of Pilkington's Shanghai subsidiary last year.

Asahimas' shares closed up Rp25 on Friday at Rp1,675, but their value has roughly halved since a peak of 3,175 in March.

The company reported first-half net profits of Rp41bn, up Rp4bn from Rp37.3bn in the same period last year, but analysts said this was not enough for it to achieve its full-year target of Rp86bn.

Overcapacity in the glass sector has been aggravated by a slowdown in car sales and production this year as buyers await the launch of the Timor, Indonesia's national car, which is to be produced with the benefit of tax exemptions by a company controlled by President Suharto's youngest son.

Asahimas



Source: FT Extel

Mr Magono Djojosumarto, president of Asahimas, said the slowdown in glass demand was "likely to be temporary". Asahimas expected to increase export sales in the second half and was planning to build a new safety glass factory in anticipation of future automotive demand in Indonesia.

But analysts believe overcapacity means the price war will continue to affect the earnings of both companies, even after the national car is launched.

● Citra Marga, the toll-road company controlled by Ms Siti Hardijanti Rukmana, the daughter of President Suharto, has reported first-half net profit of Rp66.52bn, up 56 per cent on the Rp42.64bn posted last time.

Toll revenue rose from Rp70.78bn to Rp93.89bn. The results also reflect a surge in interest income, from Rp1.1bn to Rp27bn.

Tension hits Jakarta markets, Page 20

Thai groups postpone $135m deal

By Ted Bardacke in Bangkok

Thai Danu Bank, Thailand's 12th largest bank, and Finance One, the country's largest finance company, have postponed a proposed $135m merger after Thai financial authorities refused to approve the deal.

The two institutions will instead begin a process of strategic co-operation, with Finance One taking a 5 per cent stake in Thai Danu. However, it will increase that to 20 per cent, as originally planned, should regulators decide to allow a higher level of cross-holding among financial institutions.

The proposed merger, which would have created the country's seventh largest commercial bank, was seen as the beginning of a wave of consolidation in the Thai financial sector, ahead of increased competition.

But the deal hinged on the approval of the central bank and the finance ministry to use discretionary powers to waive a 5 per cent limit on cross-holdings among financial institutions. When the merger was announced last January, both agencies said they would approve the deal, but since then both the governor of the central bank and the finance minister have been sacked.

Mr Bodi Chunnananda, the new finance minister, refused to sanction the deal because he said that higher levels of cross-holding could lead to a crisis, should a series of institutions run into financial difficulties. Some bankers criticised the decision, saying it was opening up the system to competition without giving existing institutions the tools to compete.

Thai Danu will go ahead with a plan to raise Bt6bn ($237m) – more than the Bt4.2bn contemplated under the merger with Finance One – through a combination of a private placement, a rights issue and employee stock options. After the capital raising, Finance One will hold 5 per cent, the Roman Catholic Mission in Bangkok 5 per cent, Banpu Group 3 per cent and a group of foreign banks, 8.8 per cent.

The two institutions will exclusively refer clients to each other and co-operate on new products and office technology. Mr Pin Chakkaphak and Termchai Phinyawatana, president and managing director, respectively, of Finance One will both sit on the five-member executive board of Thai Danu.

Stet sell-off progresses

Italian government ministers are expected to meet on Tuesday to lay down guidelines for the proposed sell-off of Stet, the telecommunications group, Reuter reports from Rome.

The meeting between Prime Minister Romano Prodi and his industry and treasury ministers is likely to recommend the immediate private sale of at least four Stet subsidiaries, with flotation of the core group by March 1997. The details of the sale could be finalised by August 15.

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Gerard Baker

The unwelcome guests

Once again the ghosts of Japan's banks are proving to be unwelcome guests at the stock market feast. An important factor currently holding back the equity market from consolidating gains made earlier in the year is the re-emergence of concern about the condition of the financial sector. The irony this time is that, having been exhorted to put their house in order for so long, it is the prospect that banks might actually be trying to do so, that is giving the market the jitters.

In the last few months there has been some solid evidence that a radical rethink might have started in the way Japanese banks do business. Many banks have decided to call a halt to the perilous game of stretching their balance sheets at both ends that has been a hallmark of their performance in the last twenty years.

The collapse of asset prices has at last started to force banks to talk publicly about retrenchment for the first time. Two of the biggest - Sumitomo and the Long Term Credit Bank of Japan - have already committed themselves to contracting their lending assets. Others are sure to follow.

But they know that such a change will not come about overnight. The more pressing demand is to do something about the hole at the other end of the balance sheet - their capital.

The problems of rapid growth of the loan book were compounded in the 1980s by the fact that it was facilitated, not by a real expansion of the banks' capital base, but by the convenient accretion of only semi-genuine capital.

Hidden reserves, the capital gains on vast quantities of shares held in other companies were allowed to count (albeit at a discount) by financial authorities towards banks' so-called tier two capital. While banks did also increase their core (tier one) shareholders' capital in the 1980s, the bulk of the capital increase came from the stock market's sudden surge during the period, and the accompanying nod and wink towards the regulators that all would be well.

The damage done by five years of falling stock prices has now been seriously exacerbated by the realisation of many of the capital gains on equities to cover loan loss write-offs. The combination has put the banks' capital adequacy under severe strain. All but the strongest banks have BIS risk-asset weighted ratios below 10 per cent, well below accepted levels of safety for US and European banks. Under pressure from the authorities, banks are preparing at last to repair the damage.

At their annual meetings in June, banks asked their shareholders to approve proposals to issue preference shares. Since then investors have waited nervously for the deluge of new issues. So far, it has not come.

Last week the Industrial Bank of Japan said it planned to raise Y225bn from a rights issue, aiming to bolster its BIS capital adequacy ratio from 8.6 to 10 per cent. But the move merely heightened nervousness that most banks will not find the process that easy. The problem is that there is no clear evidence that demand for such new issues will be able to match supply. The table shows that banks will have to raise at least Y4,000bn between them just to reach an average 10 per cent adequacy ratio.

Life insurers and other big institutional investors have been quietly informing banks that they are not prepared to absorb the extra issues. The weaker banks, especially, which need the capital most, are facing something of a strike by potential investors, unimpressed by what the banks have already done with their capital, and reluctant to give them more. That has created something of a vicious circle. The greater the uncertainty, the greater the risk of a falling stock market. The more the market declines, the more damage is done to banks' capital

Last week it emerged that the Bank of Japan has offered to help break the circle. It has told banks it would be prepared to use some of its funds already pledged towards resolving the country's bad debt mess towards purchases of the new issues. The sum involved is small, perhaps just Y100bn, but the hope is that the signal that the authorities are standing by might prove enough to calm investors' fears.

Sadly, it might have the opposite effect. To many observers the root of the Japanese banks' travails of recent years has been the close involvement of the authorities in every aspect of their business.

The spectacle of the central bank, under the aegis of the ever-attentive finance ministry, buying up shares in troubled banks, suggests strongly that no change has taken place.

The authorities would be better advised to let the banks take their own chances with the market. Only then will the real condition of some of the weaker banks be made clear to investors.

Japanese banks: stretched to the limit

Yen	Risk assets	Tier 1 capital	Tier 2 capital	BIS ratio (Avge)
City banks	328,670	15,024	15,024	9.1
Long-term credit banks	66,360	2,871	2,871	8.7
Trust banks	57,503	3,087	2,695	10.0
Total	452,333	20,982	20,590	9.2

Source: Banks

Total return in local currency to 1/8/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.06	0.07	0.17	0.11
Month	0.46	0.04	0.28	0.32	0.75	0.48
Year	5.81	0.69	4.56	6.04	11.18	7.13
Bonds 3-5 year						
Week	0.87	-0.03	0.15	2.66	-0.17	0.35
Month	1.12	-0.08	1.37	1.04	0.51	-0.76
Year	5.28	2.07	8.40	10.97	19.92	8.97
Bonds 7-10 year						
Week	1.49	0.61	0.15	0.23	0.15	0.39
Month	1.51	-0.17	1.81	1.53	0.44	1.04
Year	6.18	2.83	9.61	13.54	27.45	10.68
Equities						
Week	3.1	0.8	1.1	1.6	1.6	1.4
Month	-3.6	-8.3	-2.8	-4.6	-5.9	0.6
Year	18.8	21.5	12.7	10.8	-5.2	12.7

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman, Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Northwest proceeds set to lift KLM profit

■ **KLM Royal Dutch Airlines:** Estimates for tomorrow's first-quarter net profits for the Dutch carrier range from Fl 94m to Fl 255m, or Fl 1.00-Fl 2.77 per share, up from Fl 135m, or Fl 1.46 per share a year earlier, according to analysts' forecasts.

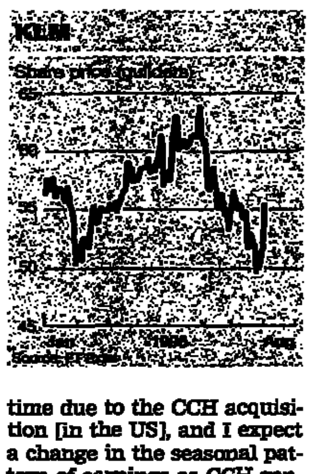
One analyst sees year-on-year profit growth coming chiefly from the proceeds of KLM's sale of 6,654 preferred shares in Northwest Airlines. He estimates that the proceeds from the sale plus KLM's ongoing upward revaluation of its remaining 1,745 preferred shares in Northwest will add Fl205m to net profits. Revenues should rise 8.6 per cent to Fl2.6bn, but operating profit is expected to nearly halve to Fl86m from Fl164m, with higher personnel and fuel costs and other operating expenses negating therevenue growth.

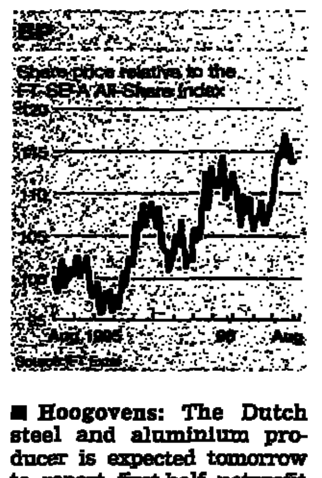
Analysts are divided on the question of how KLM and Northwest will proceed with their partnership. He said KLM is likely to withdraw its pending lawsuits against Northwest, which it began last year after Northwest instituted a poison-pill construction that limited KLM's stake to 19 per cent. *AFX, Amsterdam*

■ **Schering:** The German drugs group is expected to announce on Wednesday a 13-18 per cent rise in interim net profits from DM185m ($125m) in the first half of 1996. The company will have benefited from the weaker mark as well as the European launch of its multiple sclerosis drug, Betaferon, said analysts. Net profit sank to DM249m in 1995 from DM285m a year earlier, depressed by extraordinary factors such as writedowns on its hormone drugs, price cuts on its contrasting agents in the Japanese market and the effects of the strong mark. In the first quarter, Schering posted a 16 per cent increase in net profit to DM131m. *AFX, Frankfurt*

■ **Wolters Kluwer:** The Dutch business, tax and legal publisher is tomorrow expected to report first-half net profits of Fl175m-Fl200m ($106m-$121m) tomorrow compared with Fl200m a year earlier, according to analysts' forecasts.

One analyst said: "There could be some surprises this time due to the CCH acquisition [in the US], and I expect a change in the seasonal pattern of earnings as CCH generates more in the second half." The $1.9bn acquisition of CCH print and electronic publishing, was consolidated from January. Earnings per share could be fractionally higher than last year's Fl6.70. *AFX, Amsterdam*





■ **Hoogovens:** The Dutch steel and aluminium producer is expected tomorrow to report first-half netprofit after extraordinaries of Fl111m-Fl125m, compared with Fl303m a year earlier, analysts said. One analyst attributed the expected sharp drop chiefly to price declines of 30-40 per cent for steel and about 15 per cent for primary aluminium.

In April, Hoogovens lost production due to a maintenance division stoppage, putting extra pressure on results. Sales volumes should on the whole remain fairly stable or slightly lower and Hoogovens could see a modest recovery involumes and prices in the second half. *AFX, Amsterdam*

■ **Nycomed:** The Norwegian pharmaceuticals group is expected to report first-half pre-tax profits in the range of NKr650m-NKr800m ($102m-$126m). No comparative figure is available due to the demerger of Hafslund, agreed by shareholders in May. The company said it would include a pro forma comparison in today's results. Analysts expect a sharp decline in profits because of increasingly tough competition, amounting to a price war, in the company's main medical imaging business, particularly in the US. The termination in March of its delivery contract with American Healthcare Systems was a blow and led to the company issuing a profits warning.

The market has been looking for a coherent strategy since the collapse of Nycomed's the proposed merger with Ivaxin November 1995. Although Nycomed emerged with a substantial marketing deal with Ivax, the market would still prefer a merger or takeover. *AFX, Oslo*

■ **Hang Seng Bank:** The Hong Kong bank is today expected to report first-half net profits of between HK$3.72bn-HK$4.22bn ($481m-$546m), up 15-30 per cent. Analysts expect the bank's net interest income to grow to between HK$4.4bn-HK$5.2bn, from HK$3.85bn. Operating profit is seen at HK$4.1bn-HK$5bn, up from HK$3.6bn. The bank's earnings expectations are in line with growth in the banking sector. *AFX, Hong Kong*

■ **British Petroleum:** After Shell's disappointing second quarter, the market will be wary about BP's three-month results announced tomorrow, despite the benefits that will be forthcoming from higher oil prices. Aside from the downturn in chemicals, analysts will look closely at BP's upstream production levels which failed to live up to expectations last year. Refining margins should remain strong, while the marketing business is likely to be still suffering from intense competition at the pumps in the UK. NatWest Securities is forecasting net income of £670m, against £563m, for the quarter, and a 1p increase in the interim dividend to 5p.

Russian stock on the menu

News that Uralsvyazinform, the Russian telecommunications company, intends to tap foreign investors via American Depositary Receipts reflects continuing hunger for Russian equity.

The company has announced plans for 10 per cent of its shares to be covered by ADRs by the end of the year, and possibly as soon as November.

Uralsvyazinform, which is the main telecoms provider for the Perm region of central Russia, is holding a tender to choose a depositary bank for the launch and is also considering listing level-two ADRs, which allow companies to issue more equity in order to raise capital.

Nevertheless, Russia analysts say that although investor appetite is still there, palates have become much more refined.

The volatility and weakness of the Moscow Times Index - down 35 per cent from its peak a year ago - has caused foreign investors to look very closely at company fundamentals before taking on Russian stock.

Ms Irina Pinkovsky of Ice Securities, a small research-based stockbroker in London that concentrates on Eastern Europe, says the days of western investors throwing liquidity at the region are over for now. "Although there is a huge over-the-counter market, there is still no formalised clearing system and it is very difficult to settle through the domestic market. Demand is much more selective now."

However, with the uncertainty of the presidential elections out of the way, inflation coming down and the current account surplus with non-CIS countries growing, she believes more companies have to take the ADR/GDR trail soon.

To date, five of the market's most heavily capitalised stocks - Lukoil, the oil company, GUM, the department store, Chernogorneft, the production arm of Sidanko oil company, Mosenergo, the power company for the Moscow region and Severskii Tube Works, the leading pipe manufacturer - have ADR listings.

In addition, Rostelecom, the telecommunications group, is expected to come to the international market in September. UES, the generator, has applied for ADR status, as have energy groups Yuganskneftegaz and Purneftegaz and a couple of commercial banks.

Flemings Research analyst Ms Lala Cartledge, who has just issued a hefty and confident piece of research on Russia, believes that by the end of the year more than a dozen Russian companies will have ADR programmes.

"The Russian equity market is overcoming its teething problems and is gradually maturing," she says.

"Companies are becoming more open towards investors and the market better regulated. We believe stock ratings, which have been depressed by uncertainties and lack of transparency, will start to reflect their underlying fundamentals."

Also, Russia is expected to receive a credit rating later this year from at least one large international rating agency.

Elsewhere in Eastern Europe, Lithuania was the focus of a successful Global Depositary Receipt issue last week, which Nomura, the lead manager, said was the first from a former Soviet republic.

The $17.1m capital raising by Vilniaus Bankas, the country's largest private sector bank, was heavily oversubscribed. UK investors took more than 40 per cent but the offering was also bought by investors in Germany, Switzerland, the Netherlands, Scandinavia, the US, the Baltic states and central Europe.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 2 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY AUGUST 1 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	195.74	3.0	188.16	132.32	150.39	168.44	-0.9	4.28	194.35	185.04	131.15	148.99	167.40	212.18	177.98	183.82
Austria (24)	179.64	2.9	172.69	121.44	138.03	137.97	6.3	2.04	180.83	172.17	122.03	138.54	138.47	198.62	168.11	186.89
Belgium (27)	215.33	2.0	207.00	145.57	165.45	161.83	8.6	4.11	216.05	205.74	145.11	164.74	161.05	216.81	186.06	200.20
Brazil (28)	181.04	31.2	174.03	122.38	139.10	336.50	38.4	1.40	178.19	169.69	120.24	136.51	331.53	184.70	125.07	141.45
Canada (118)	158.63	6.9	152.49	107.24	121.88	157.82	7.7	2.27	156.78	149.27	103.79	120.11	155.85	165.12	134.14	147.20
Denmark (33)	312.04	5.1	300.00	210.94	239.75	342.36	8.3	1.89	310.23	295.37	209.35	237.87	340.26	312.04	278.89	284.00
Finland (23)	197.04	5.3	189.42	133.20	151.40	185.96	8.8	2.69	194.96	185.64	131.57	149.37	183.70	276.11	171.73	261.14
France (98)	194.00	8.1	186.49	131.15	149.06	162.74	11.0	3.16	193.23	183.98	130.39	148.03	161.62	198.39	167.70	190.39
Germany (58)	173.64	6.1	166.92	117.36	133.41	133.41	9.5	1.83	173.19	164.90	116.87	132.68	132.68	174.32	155.65	166.24
Hong Kong (58)	421.78	8.8	405.46	285.13	324.07	418.90	8.6	3.42	415.63	395.73	280.47	318.42	412.72	451.19	348.81	370.01
Indonesia (27)	195.41	[illegible]	188.51	132.78	150.91	282.37	[illegible]	1.88	190.71	181.58	128.69	146.10	274.59	[illegible]	[illegible]	[illegible]
Ireland (16)	281.35	10.1	270.47	190.20	216.18	245.71	9.8	3.53	278.74	265.39	188.09	213.54	242.68	290.82	235.66	246.24
Italy (58)	78.12	6.0	75.09	52.81	60.02	88.49	1.3	2.43	77.27	73.57	52.14	59.19	87.25	84.53	67.22	80.91
Japan (481)	150.37	-3.1	144.55	101.65	115.53	101.65	0.4	0.79	150.36	143.16	101.46	115.19	101.46	168.45	137.78	148.85
Malaysia (107)	535.39	10.4	514.67	361.93	411.36	514.40	8.4	1.74	531.18	505.75	358.45	406.94	510.32	595.09	425.77	552.88
Mexico (19)	1218.93	17.5	1169.86	822.67	935.03	10025.86	14.9	1.33	1178.44	1122.01	795.22	902.81	9745.14	1325.65	791.99	1166.72
Netherland (19)	297.08	8.9	285.57	200.82	228.24	224.77	12.6	3.21	293.35	279.30	197.96	224.74	221.28	298.69	245.79	263.45
New Zealand (15)	83.73	5.1	80.49	56.60	64.33	65.07	0.6	4.17	83.66	79.65	56.45	64.09	65.06	84.71	73.04	82.63
Norway (33)	249.80	6.0	240.14	168.87	191.93	218.23	6.0	2.09	247.87	236.00	167.26	189.89	214.09	256.94	222.94	243.14
Philippines (22)	208.17	[illegible]	196.20	138.38	158.41	269.15	[illegible]	0.61	200.98	191.36	135.62	153.97	262.36	[illegible]	[illegible]	[illegible]
Singapore (44)	390.47	-4.1	375.36	263.96	300.01	254.88	-4.0	1.49	386.34	367.84	260.71	295.98	251.78	465.21	355.81	388.14
South Africa (44)	337.14	-12.8	324.09	227.91	259.04	330.08	7.5	2.25	329.72	313.93	222.50	252.60	324.66	437.76	329.57	352.62
Spain (37)	179.98	8.9	173.02	121.67	138.29	171.31	13.0	3.41	176.95	168.47	119.40	135.56	169.41	183.95	145.15	159.46
Sweden (48)	353.48	13.3	339.80	238.96	271.59	343.90	12.3	2.48	346.36	329.80	233.74	265.37	336.80	360.77	260.13	289.12
Switzerland (37)	244.45	3.6	234.99	165.25	187.82	182.38	8.3	1.82	238.07	226.67	160.65	182.38	177.23	252.24	191.24	203.17
Thailand (46)	147.32	-12.4	141.62	99.59	113.19	144.46	-12.2	2.11	146.00	139.01	98.52	111.85	143.11	193.35	145.11	171.73
United Kingdom (199)	235.41	2.1	226.30	159.14	180.88	226.30	2.6	4.18	235.56	224.28	158.96	180.46	224.28	237.35	208.73	216.52
USA (625)	268.77	7.4	258.37	181.69	206.51	268.77	7.4	2.19	264.67	251.99	178.60	202.76	264.67	276.47	226.74	226.08
Americas (791)	246.45	7.6	236.91	166.60	189.36	207.28	7.7	2.10	241.88	230.32	163.21	185.29	203.36	252.43	208.19	209.20
Europe (708)	211.34	5.2	203.16	142.87	162.38	181.96	7.1	3.10	209.60	199.58	141.44	160.58	179.81	213.30	189.03	198.88
Nordic (136)	305.22	10.7	293.41	206.33	234.52	295.68	11.2	2.37	300.57	286.18	202.83	230.27	295.68	306.81	261.13	280.50
Pacific Basin (880)	162.48	-1.7	156.20	109.84	124.84	112.48	1.0	1.21	162.36	154.60	109.56	124.40	112.24	177.01	148.85	159.67
Euro-Pacific (1588)	182.72	1.3	175.65	123.52	140.39	138.74	3.8	2.12	182.06	173.34	122.86	139.48	138.23	189.90	165.24	174.25
North America (744)	262.91	7.4	252.74	177.73	202.00	262.21	7.4	2.20	258.03	245.67	174.12	197.68	257.42	269.52	221.76	223.05
Europe Ex. UK (507)	193.01	7.0	185.55	130.48	148.30	158.16	9.6	2.54	190.93	181.79	128.84	146.27	154.09	194.86	169.85	178.60
Pacific Ex. Japan (399)	278.08	5.1	267.32	187.98	213.65	241.50	3.6	3.04	275.02	261.85	185.59	210.70	238.85	296.88	243.59	264.05
World Ex. US (1796)	183.89	1.7	176.78	124.31	141.29	143.28	4.3	2.12	183.07	174.30	123.53	140.25	142.63	191.65	167.38	176.85
World Ex. UK (2222)	203.02	4.2	195.17	140.83	155.93	174.95	5.9	1.92	199.28	190.13	135.74	153.66	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1940)	243.54	6.3	234.12	164.64	187.12	229.57	7.2	2.66	240.08	228.58	162.01	183.92	225.94	247.56	212.62	217.06
The World Index (2421)	210.46	4.0	202.31	142.27	161.70	178.85	5.6	2.15	208.22	198.25	140.51	159.52	177.45	214.95	188.49	192.34

شكرا من الاهل

MARKETS: This Week

NEW YORK By Richard Waters

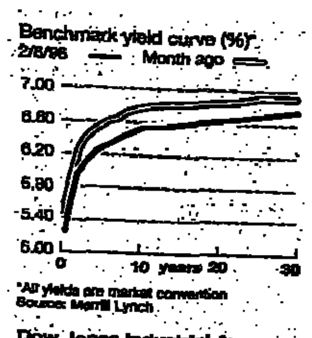
After Friday's surge in bond and stock prices, capping the biggest weekly advances for five years, the US financial markets may well take a pause for breath as the new week gets under way.

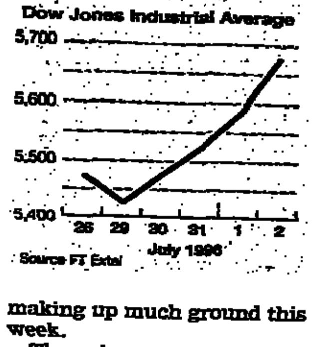
The reversal of sentiment reflected the accumulation of new information last week, culminating in Friday's July employment report, which suggested economic growth had slowed. By Friday night, the markets had decided that earlier fears – of inflationary pressures building up, and an imminent rise in interest rates – were entirely misplaced.

Whether that provides a launch-pad for further gains is another question, though. One of the engines that drove the stock market forward earlier in the spring – the flood of new cash into mutual funds – has almost ground to a halt, while the euphoria that accompanied the market's earlier uninterrupted rise has dissipated.

A sustained bond market rally could set the tone for another advance in stock prices. But with little new economic data due, and a quarterly refunding in the middle of the week – including the sale of 30-year bonds – the Treasury market may have trouble making up much ground this week.

The only new information of significance comes on Friday, when the July producer prices index is published (the consumer price index is due the following Monday). Producer prices are expected to show a rise of 0.2 per cent (excluding the volatile food and energy components), the same as for June, according to Wall Street economists surveyed by MMS International.





LONDON By Philip Coggan

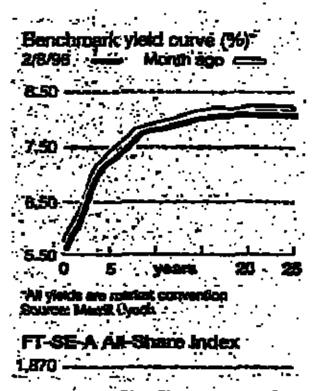
The UK market will be hoping to forge its own path this week, after following Wall Street on Wednesday, Thursday and Friday.

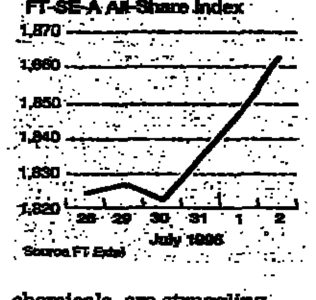
Those investors more interested in UK than US economic developments will have today's industrial production and manufacturing output figures to consider, and the Confederation of British Industry's distributive trades survey on Thursday.

But the most important domestic event of the week may be the publication on Wednesday of the Bank of England's quarterly inflation report. Mr Eddie George, the governor, had disagreed with the decision of Mr Kenneth Clarke, the chancellor, to cut interest rates in June. With many in the markets arguing that Mr Clarke has economic – and, more important, political – reasons to cut rates again, traders will want to see if the bank takes a hawkish line.

Last week's corporate results proved a mixed bag, with some good figures from BAT, Glaxo and Guardian Royal Exchange, but disappointing numbers from Royal Dutch/Shell. There are signs that the manufacturing sector is starting to pick up, but individual sectors, such as chemicals, are struggling.

This week sees a raft of company results, including British Airways, HSBC and Pearson today; Barclays and BP tomorrow; Abbey National, Commercial Union, GKN and Standard Chartered on Wednesday; Rank and Reed on Thursday; and Unilever on Friday. Investors will be looking, in particular, at trading statements from Footsie stocks to see if they need to alter 1997 earnings estimates.





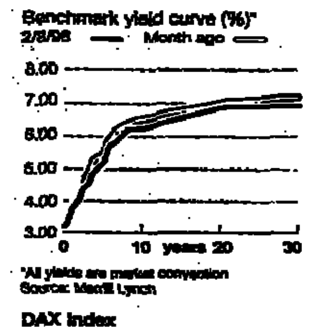
FRANKFURT By Wolfgang Münchau

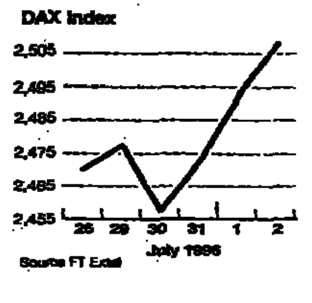
Frankfurt is looking to Wall Street for impetus as the domestic markets hover around the same levels – the Dax share index is stuck at 2,500. Only the D-Mark's exchange rate against the dollar appears to show potential for speculative activity, as it has strengthened once more against the US currency. This has again given rise to concerns about German competitiveness and corporate profits, which were last year badly affected by a dollar rate of less than DM1.40.

The trend was reversed this year, when the dollar rose to a range of DM1.52-DM1.53, but it has since fallen to DM1.47. Some forecasters are sticking to their earlier predictions of a rate of DM1.60 by the year-end, but this now looks brave.

The economic recovery in Germany depends to a great extent on the exchange rate. One economist has pointed out that the exchange rate is showing a direct correlation with business confidence indices. As the dollar rises, business confidence and investment pick up, and vice-versa.

The relatively weak D-Mark in the second quarter has also directly translated into higher production, as seen last week by a set of unexpectedly strong output data. The monthly rise in industrial output in June, by 0.6 per cent, is the fourth consecutive increase. But most important is the breakdown of the data, which shows output picking up in areas relevant to investment rather than consumption. But economists fear recent movements in the exchange rate could reverse the trend in the July output data.





TOKYO By Emiko Terazono

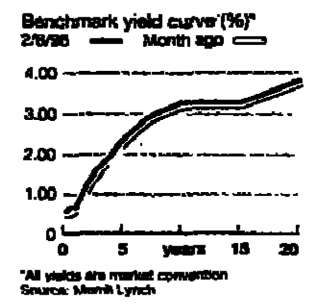
Last week's weaker than expected US and Japanese economic data have eased expectations of a shift in monetary policy, and are likely to calm jitters among market participants.

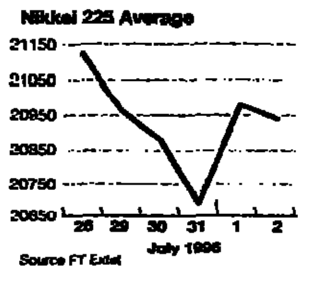
Mr Ryutaro Hashimoto, the prime minister, told business leaders last week that Japan was keeping a close watch on developments in the US, and on the August 21 meeting of the Federal Reserve's open market committee. With expectations that the FOMC will decide not to raise interest rates, concerns over a tightening by the Bank of Japan are receding.

One statistic which will be an important indicator on the the economy for the Bank of Japan is the *tankan*, the quarterly survey of business sentiment. The bank announced last week that the main figures for the survey would be released a week earlier than usual, on August 28, with details the following day.

SBC Warburg in Tokyo points out that while there is speculation that the date was brought forward because the bank wanted to raise rates as soon as possible, it is more likely that it wanted to cut the delay between compiling and releasing the data – after the embarrassment in May, when the figures were leaked hours before the official announcement.

Stocks may see some volatility as individual and short-term traders face margin calls on holdings in speculative stocks because of the recent fall in many favourites. Kanematsu NNK, a leading speculative issue, has been hit by heavy selling, causing some investors facing margin calls to liquidate holdings in high-priced shares such as Japan Tobacco.





COMMODITIES By Richard Mooney

Strikers hold platinum key

South African industrial relations could hold the key to the platinum market's prospects this week.

The calling of a strike of all 25,000 workers at Impala Platinum, a Gencor subsidiary, last Thursday sparked a renewed surge in the London price of the white metal, which touched $404.50 a troy ounce before ending the week $5.55 to the good at $403.80 an ounce.

The disruption has affected Anglo American Platinum Corporation's Rustenburg mine – cutting output by 30 per cent. Amplats said 4,600 of Rustenburg's 28,000-strong workforce failed to clock in on Friday. The company said its workers were being intimidated.

An estimated 97,000 ounces of Rustenburg production was lost because of a wildcat strike last month, and the company says that cannot be made up. Mr David Emmett, Amplats commercial director, warned last week that tightening supplies were likely later in the year. He said the current supply surplus, estimated at 190,000 ounces last year, was set to decline, and traders would have more difficulty sourcing the metal.

● The five-day Iberoamerican and Philippine Sugar Cane Growers Congress began in San Luis Potosi, Mexico, yesterday. Scheduled speakers include Mr Peter Baron, executive director of the International Sugar Organisation. Tomorrow sees the opening, in Cebu, Philippines, of the four-day National Convention of the Philippine Sugar Technologists Association.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Tomkins (UK)	Gates (US)	Components	[illegible]	Purchase [illegible]
Assicurazioni Generali (Italy)	Migdal (Israel)	Insurance	$330m	Three-stage plans
Intria (Malaysia)	Costain (UK)	Construction	$64m	40% in rescue
Premdor (Canada)	Crosby (UK)	Doors	$34m	Spring Ram disposal
Bass (UK)	Pivovar Radegast (Czech Republic)	Brewing	$28m	20% stake built
Bath Press (UK)	Proost (Belgium)	Book manufacture	$11m	Cash buy
Vega Group (UK)	Kortekerwal (N'lands)	Computer services	$7m	Cash + paper buy
BSkyB (UK)	Premier (Germany)	Broadcasting	n/a	25% plans
Streamline (UK)	Eurojoint (France)	Construction	n/a	Specialist repair move
Unilever (UK/N'lands)	Lyons Irish Holdings (Ireland)	Tea	n/a	Minority buy-out offer

OTHER MARKETS Compiled by Michael Morgan

AMSTERDAM

The high season for half-year reports, which featured DSM and Royal Dutch last week, and Philips the Friday before that, continues with Wolters Kluwer due tomorrow, Akzo Nobel and Hoogovens on Wednesday, and Unilever on Friday, *writes William Cochrane*. However, says Mr Joost van Beek at HSBC Van Meer James Capel in Amsterdam, this array of numbers is no more likely to influence the broad market than did the progress reports from Philips in electronics, KNP BT in paper, DSM in chemicals and Royal Dutch. Philips' shares leapt last week after a miserable performance this year, but recovery was predicated on plans for 6,000 more job cuts, described as "another large restructuring" by a less than ecstatic Mr van Beek. The broker's stance is that the broad market, up nearly 50 per cent in the 14 months to May before a correction in the past two months, has further to rise; that defensive stocks are likely to outperform, but that cyclicals are unattractive. However, the Unilever quarterly will rate attention for its indications of European consumption trends, and Hoogovens – where Capel thinks consensus forecasts may have been too high – for a snapshot of the steel industry.

ZURICH

The market's new electronic trading system, used for the first time on Friday, and the start of the bank reporting season, should provide distractions from currency considerations which pulled the market down more than 8 per cent by the middle of last week from its all-time high in mid-July.

Shares surged 3.2 per cent on Friday, however, as local banks and funds made a determined effort to prove the electronic system was in full working order. But few analysts believe the trick can be repeated, saying Wall Street's direction, and the dollar, will continue to be overriding influences.

Meanwhile, today brings half-year results from UBS, and the market, optimistic about all three of the big Swiss banks, is expecting a rise of about 20 per cent in net profits. SBC reports next Tuesday, while CS Holding, which is expected to turn in the best results of the three, reports on August 21.

JOHANNESBURG

Fears of a further weakening of the rand, in the wake of volatility last week, will focus attention on precious metals, viewed as South Africa's most reliable rand hedge, *writes Mark Ashurst*.

The market will also react to higher commodity prices for platinum, which last week reached a premium over gold of $18.20 in New York, compared with a low of only $8 last month.

"It is too early to say if we are seeing an improvement in sentiment, but hedge funds sometimes react out of proportion when they see an anomaly," said Mr Francois Ferreira, analyst at Ivor Jones Roy. However, investors could also respond to unrest at South African platinum mines by favouring gold, a sector which has lagged behind the Dow.

HONG KONG

Banking stocks will set the tone for Hong Kong investors today, but New York is likely to remain the overriding influence after Friday's US payroll figures, *writes Louise Lucas*. Gains in US bonds and stocks sent the benchmark Hang Seng Index above 10,900 on Friday for the first time in three weeks.

The corporate reporting season gets under way today with interim results from HSBC Holdings, the global banking group, and Hang Seng Bank, its Hong Kong arm. Analysts have been revising estimates upwards, and given the banks' heavy weighting in the index, strong performances should lift the market.

CURRENCIES By Philip Gawith

Focus switches to German rate cut possibilities

Last week markets focused on US data and the prospect of higher interest rates. This week the focus will shift to Germany and the possibility of lower rates.

The dollar's rally in the first half of the year was fuelled in large part by the prospect of widening interest rate differentials in favour of the US. In recent weeks that assumption has been called into question, and the dollar has suffered in consequence. The Bundesbank shocked markets by leaving rates unchanged last month, and now the likelihood of higher US rates seems much further away.

If German data this week – manufacturing orders, retail sales and unemployment – testify to a weak economy, it will re-ignite speculation of a further cut in interest rates, which should help the dollar.

The performance of the "high-yielders" will also be relevant to the general tone of the market. The resilience last week of the lira, for example, which rallied L10 against the D-Mark, augurs well for the dollar.

Although sentiment towards the dollar is now decidely ambiguous, compared with the unbridled optimism of a few months ago, fear of central bank intervention is likely to inhibit aggressive dollar selling. The unusual spectacle last week of a conservative central bank, the Swiss National Bank, describing its currency as "massively" overvalued was not lost on the market.

With the main currencies looking fairly steady, it may be that the activity is found more in the exotics. Mr Peter Luxton, analyst at MMS in London, said the Thai baht and Malaysian ringgit were entering dangerous territory, with current account deficits reaching the levels which caused trouble for Mexico in 1994.

The South African rand will also be in the spotlight after falling last week towards record lows – as will the Indonesian rupiah amid political unrest.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 2, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Oman	(Rial Omani)	0.5939	0.3851	0.2606	0.3601
Pakistan	(Pak. Rupee)	54.5583	35.3746	23.9357	33.0774
Panama	(Balboa)	1.5423	1	0.6766	0.9351
Papua New Guinea	(Kina)	1.9888	1.2895	0.8725	1.2058
Paraguay	(Guarani)	3177.14	2060.00	1393.87	1926.22
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

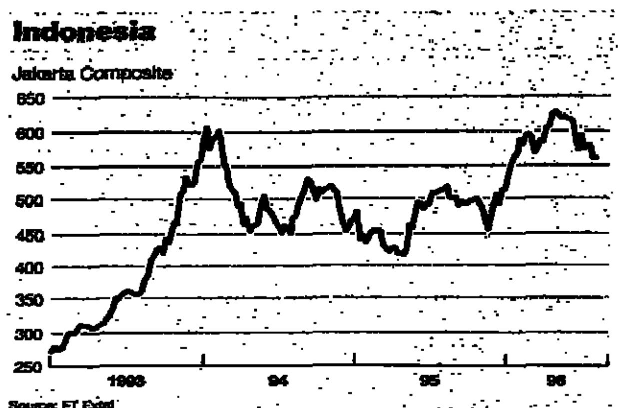
MARKETS: This Week

EMERGING MARKETS By Peter Montagnon, Asia Editor

Tension hits Jakarta markets

Sentiment on Jakarta's equity market last week mirrored the tension in the city's streets. The Jakarta Composite index fell nearly 6 per cent at one stage on Monday in the aftermath of the weekend riots.

It recovered progressively as calm returned, and bargain hunting on Friday pushed it up a further 2.2 per cent to close at 560.96, barely changed on a week before. But analysts agree that political uncertainties will cap any serious rally.



Source: FT Extel

Relief came in the unlikely form of a judge's toothache, which caused an adjournment in a high-profile court case brought against the government by Ms Megawati Sukarnoputri, the opposition leader.

Demonstrators had gathered outside the court in the expectation of a judgment on whether Ms Megawati had been illegally ousted as leader of the PDI opposition party. As they dispersed, the buyers moved in on equities.

That left Jakarta analysts scrambling for elegant ways of introducing the toothache factor into their commentaries. Mostly this boils down to the point that while the pain may have been numbed, the tooth itself has not been pulled.

The problem is that, although the authorities may have managed to crack down on the opposition for the time being, the whole episode of the riots has drawn attention to the looming succession problem.

Even if he does stand in – and win – the presidential election of 1998, the five-year term is likely to be his last. But Indonesia's last transition 30 years ago was bloody and chaotic, and no one has emerged who could manage this one more smoothly.

History shows that turbulent times are often the best moment to buy equities. Investors, who bought into the Philippines when the military threatened to oust President Cory Aquino or Hong Kong after the Tiananmen Square massacre, stood to make a lot of money.

In Indonesia's case, though, there is less immediate incentive to buy for the long term. Violence could easily flare up again when Ms Megawati's case does come before the court, or around the time of next year's general election.

Local investors are less anxious about politics than their international counterparts, as may be seen from the remarkable stability of the rupiah last week, but the risk remains that foreigners will sell into any rally.

Most analysts agreethat the Indonesian market is unlikely quickly to recover the rating at its peak of 630 points in April.

Moreover, the fundamentals are not all that encouraging. Weak manufacturing and consumer demand in the first quarter of this year have caused earnings to be downgraded. Mr Gene Galbraith, president of HG Asia, says that he now expects earnings growth for the market as a whole to be closer to 15 per cent this year rather than the 19 per cent originally forecast.

Indonesia is not exempt from worries about what could happen to emerging markets generally if Wall Street were to peak. The heightened sense of political risk may prevent the establishment of the downward trend in local interest rates in the second half of this year which had been expected hitherto. It could also slow the inflow of foreign direct investment which has become a substantial engine of Indonesian growth.

On its current level of about 15 times, therefore, the equity market does not look particularly cheap. "This is a trading market now, not one that should be bought on fundamentals," says Mr Michael Chambers of GK Goh Ometraco.

A few years ago that would have made it a no-go area for foreign institutions because the market was illiquid, but it matters less now that turnover has increased to levels of up to $150m a day. Mr Chambers says the bad news is in the price of a number of stocks after earlier earnings downgrades.

But attention is most likely to focus on the larger capital stocks because that is where the best liquidity lies. In this group, many analysts favour the tobacco companies H. M. Sampoerna and Gudang Garam.

By contrast, Telekom and Indosat, the telecommunications companies, look less attractive because the sector is out of favour at the moment. Also the possibility that the government will sell a further tranche of its stake in Telekom means a stock overhang.

Then there is Bimantara Citra, the conglomerate in which President Suharto's second son, Bambang Trihatmodjo, has a controlling interest. Analysts generally say that Bimantara possesses a high quality collection of businesses, including Jakarta's prestige Hyatt Regency Hotel, but it is particularly subject to swings on political sentiment.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	2/8/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (431)	156.79	+2.12	+1.37	-7.96	-4.83	+9.23	+6.25
Latin America							
Argentina (22)	91.75	+1.13	+1.24	-11.35	-11.01	-1.03	-1.11
Brazil (23)	238.07	+4.59	+1.97	-1.44	-0.60	+51.98	+27.93
Chile (16)	189.99	-2.68	-1.39	-6.29	-3.20	-5.67	-2.90
Colombia (14)	166.54	+3.09	+1.89	+0.85	+0.52	+2.29	+1.39
Mexico (24)	79.91	+3.13	+4.07	-3.28	-3.94	+6.31	+8.58
Peru(13)	1,179.05	+63.74	+5.72	+64.25	+5.76	+110.1	+10.3
Latin America (112)	138.4	+2.99	+2.21	-3.91	-2.75	+15.26	+12.39
Europe							
Greece (18)	109.11	-0.46	-0.42	-0.08	-0.07	+11.14	+11.37
Portugal (20)	135.81	-0.90	-0.66	+0.69	+0.51	+19.35	+16.62
Turkey (25)	105.15	+2.02	+1.96	-13.55	-11.41	+22.35	+26.99
South Africa (30)	137.32	+0.32	+0.23	-10.56	-7.14	-16.06	-10.47
Europe (134)	119.02	+0.12	+0.10	-6.66	-5.30	-2.51	-2.07
Asia							
China (24)	43.47	-0.82	-1.85	-1.51	-3.36	+3.15	+7.82
Indonesia (31)	136.86	+0.06	+0.05	-9.38	-6.41	-1.78	-1.26
Korea (23)	108.69	+2.31	+2.17	-6.01	-5.24	-28.22	-20.61
Malaysia (23)	247.27	+3.50	+1.44	-11.15	-4.31	+19.91	+8.76
Pakistan (14)	79.28	+1.69	+2.18	-10.85	-12.04	+5.68	+7.72
Philippines (14)	326.43	+12.36	+3.93	-13.16	-3.88	+67.26	+25.95
Thailand (25)	209.2	-0.14	-0.06	-29.60	-12.40	-42.68	-16.95
Taiwan (31)	170.07	+2.22	+1.32	-12.92	-7.06	+39.25	+30.00
Asia (185)	213.27	+2.56	+1.21	-14.74	-6.46	+10.23	+5.04

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Matthew Kaminski

Ukraine vows to ease foreign access to debt

The Ukraine government, a late-comer to east European economic reform, has pledged to get its debt market up and running before the end of the year.

A stable local currency and low inflation have attracted interest from investors in the former Soviet Union to Ukraine's high-yielding Treasury bills, which were introduced in March 1995. However, the market's expansion – particularly through increased western participation – has been hindered by the lack of clarity on taxation.

"The more aggressive investors in local currency markets in eastern Europe are getting interested," said Mr David Boren, head of emerging markets research at Salomon Brothers. "A lot of Russians have been active in it for a while."

Domestic commercial banks have exhibited confidence in Ukraine's recent macroeconomic stability. Yields on three-month paper fell from 92 per cent in June to 57.3 per cent last week. With inflation at 0.1 per cent in June and the currency appreciating, yields are quite high in real terms, although below Russian levels. The effective rate of return was 6.16 per cent in June.

Local bankers are betting that the International Monetary Fund will this year be able to rein in the Kiev government's impulse to spend freely before winter – fuelling inflation in the process – as has occurred in the past four years. "Volumes should pick up towards the end of the year because the government has printed all the money it is allowed to and has no other IMF-approved way to cover the budget deficit," said Mr Sergei Manokha, a senior manager at First Ukrainian International Bank.

Limited liquidity has been a main drawback for the dozen or so local banks actively trading T-bills: Ukraine's outstanding fixed-income bonds amount to an estimated $700m equivalent, compared with more than $24bn in Russia. This amount, however, could hit $2bn by the end of the year. According to Ukraine's 1996 budget, about 32 per cent of the deficit – or 150,000bn karbovanets ($85m) – will be financed on the domestic bond market.

After raising 65,780bn karbovanets on the domestic market in the first half of the year, a central bank official admits that "we are slightly lagging behind schedule".

It comes as a surprise, in these circumstances, that the government has not moved faster to ease foreign access to the market, which should lower yields and increase liquidity. Regulations on taxation and repatriation of profits have been sitting at the ministry of finance for the past year awaiting approval.

Until these regulations are clarified, only grizzled investors from Russia and the Baltic countries are likely to accept the risks associated with investing in Ukraine. Both domestic and foreign investors are asking for more clarity.

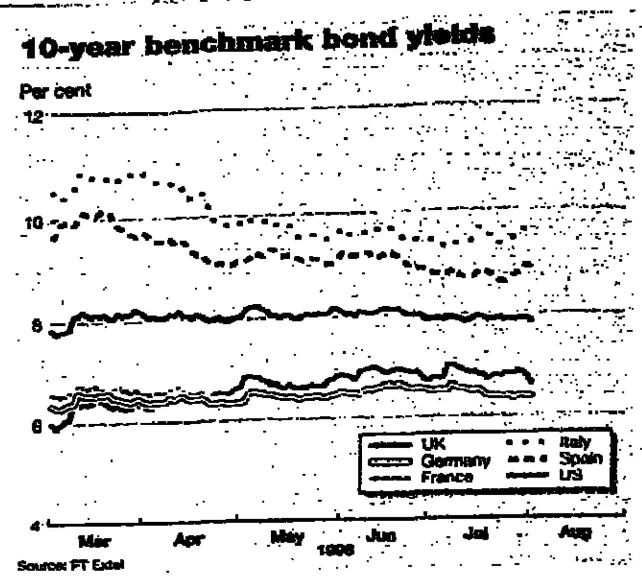
Kazakhstan has seen its yields drop to 30 per cent after eliminating all taxes on government bonds. By contrast, Russian yields, at about 90 per cent, are high as the Moscow government limits foreign entry. Ukraine's central bank has asked the ministry of finance to set the withholding tax at 15 per cent.

Some analysts suspect Ukraine has deliberately delayed setting the rules because of fears that Russian banks will then swamp the market.

Investment bankers also complain that the custodial arrangements are not satisfactory. Only local banks, which are small and untested, have dealing licences for the primary market. Foreigners who want to come into the market in any size must go through local banks, whose credit ratings are not very solid, a western banker said.

Infrastructure needs shoring up as well. A secondary market has been established at Kiev's interbank currency exchange, where weekly volumes in June were about 3bn karbovanets but growing. Over-the-counter secondary market trading between banks is significantly larger.

Eager investors believe the kinks can ultimately be worked out to put Ukraine, the biggest European country after Russia, on the financial map.



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	4.75[1]	8.25	5.75[2]
Overnight	5.31	0.50	3.25	3.50	8.68	5.75
Three month	6.20	0.71	3.27	3.65	8.47	5.86
One year	5.58	0.93	3.40	3.92	8.17	5.90
Five year	6.27	2.32	5.14	5.51	8.76	7.28
Ten year	6.51	3.29	6.27	6.35	9.38	7.79

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

Liability doubts in German states issue

Plans by German federal states jointly to issue bonds may run into trouble if the question of liability is not addressed satisfactorily, bankers are warning, writes Conner Middelmann.

Several states have drawn up plans jointly to issue bonds totalling up to DM4bn, with the first offering expected as early as this week.

By pooling their borrowings, the states hope to raise their profile in the international capital markets ahead of European monetary union, cut funding costs and attract international investors.

However, since the states have not yet published any details about the planned issues, investors remain uncertain about the bonds' likely credit standing.

When the plans were first aired last week, the states said they would not adopt joint liability for the bonds, but that each state would guarantee its own portion of the debt.

Moody's, the ratings agency, has expressed concerns about such "several and proportional" liability. In a report released on Friday, it warned that timely payment of interest and principal could be impaired by the financial distress of any one obligor.

"A multiplicity of issuers is a double-edged sword from a credit perspective," Moody's said. On the one hand, "an issue backed by more than one obligor has the potential to benefit from the dispersal of credit risk among a number of parties". However, "should one party fail to meet its obligations, the coverage of the resultant shortfall by the remaining parties may be a contentious process, leading to delays in payment and possible impairment in recovery".

But German state officials argue that, even if one of the states were to renege on its obligations, investors are protected by Germany's *Finanzausgleich* system – the redistribution of tax revenues across states which guarantees even the poorest state per-capita revenue of at least 95 per cent of the national average.

However, such rescue operations may take time and could adversely affect bondholders.

"In a distress scenario, the sourcing of funds through the *Finanzausgleich* could cause problems with the timeliness of payment," says Mr Duncan Sankey, vice-president at Moody's.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Shin-Etsu Chemical Co(e)φ	500	Aug 2000	3.375	100.00	-	-	Nikko Europe
United Mexican States(b)‡	6bn	Aug 2001	(b1)	99.50R	-	-	JP Morgan/SBCW
BT Securities Corp(c)‡	200	Aug 1999	(c1)	100.00R	-	-	Deutsche Morgan G'fell
Kredietbank Intl Finance	75	Sep 2000	(g)	99.487R	6.786	+20(i)	Kredietbank Intl Group
CHELT 1996-3(i)★	550	-	-	-	-	-	Merrill Lynch Intl
Kiskiro(o)	70	Aug 2004	11.00§	99.714R	10.78	+445(6¼%-03)	Citibank International
ASF No 1(o)‡	200	Sep 2001	(o1)	100.00R	-	-	BZW
Province of Mendoza(r,s)	150	Jul 2002	10.00#	100.00R	10.36	+403(6½%-02)	Lehman Brothers Intl
Crédit National(q)	50	Nov 2005	7.00	95.341	7.717	+95(7%-05)	Morgan Stanley Intl
D-MARKS							
Dean Witter Discover & Co‡	300	Aug 1999	(d)	100.00R	-	-	Deutsche Morgan G'fell
Argentina Repckged Bonds(e)	100	Mar 2005	(e1)#	97.50R	-	-	Morgan Stanley Bank
SWISS FRANCS							
Mobil Australia Finance★	125	Sep 1999	3.75	102.00	3.042	-	SBC Warburg
STERLING							
Eira Series 13(s)‡	60	Sep 2002	(f)	100.00R	-	-	Merrill Lynch Intl
Prospect 3, Class A(h)‡	200	Apr 2006	(h1,i)	99.915R	-	-	UBS
Nationwide B/S(k)‡	150	Aug 2001	(k1)	99.94	-	-	HSBC Markets
Abbey Natl Trsy Services(s)	150	Dec 2002	7.625	99.07R	7.830	+22(8¾%-02)	Merrill Lynch Intl
GUILDERS							
Baden Wuerttemberg L-Fin(s)	300	Dec 2001	5.375	99.094R	5.584	+10(8¾%-01)	ING Barings
FRENCH FRANCS							
Abbey Natl Trsy Services‡	1bn	Sep 2006	(m)	99.60R	-	-	BNP/JP Morgan Secs
AUSTRALIAN DOLLARS							
GECC	100	Sep 1999	8.00	101.62	7.378	-	Toronto-Dominion Bank
World Bank(s)★	100	Jul 2000	7.00#	100.00	-	-	Tokyo Secs Co(Europe)
DANISH KRONER							
Finance for Danish Industry	400	Sep 2002	6.625	101.474	6.322	-	Kredietbank Intl Group
NEW ZEALAND DOLLARS							
National Australia Bank	100	Sep 1998	8.75	100.92	8.232	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. φWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Denom: $10,000 +2 wrts. Exercise price: Y1,917. FX: 109.45Y/$. b) Callable on any coupon date at par. Amorties in 13 equal payments from Aug 1998. Average life: 3.5 yrs. b1) 3-mth Libor +200bp. c) Callable from Aug 1997 at par. c1) 3-mth Libor +29bp. d) 3-mth Libor +15bp. e) Callable from 30/9/99 at par. e1) 10½% to 30/9/99, then 13¼%. f) 3-mth Libor +⅛%. g) 5% to 18/9/98, then 8½%. h) Collateral: pool of unsecured consumer loans originated by HFC Bank and Hamilton Direct Bank. Average life: 4.95 yrs. h1) 3-mth Libor +10bp. h2) Class B: £11.8m, 3-mth Libor +32½bp, parR, av life 7 yrs. h3) Subordinated certs: £9.56m, privately placed. § Over interpolated yield. § Contimortgage Home Equity Loan Trust. 8-tranche deal. Monthly coupons. k) Callable on Aug 2000 at 99.93. k1) 3-mth Libor flat. l) Long 1st coupon. m) TEC 10 - 1%, paid quarterly. n) Puttable on 12/8/00 at 98.50%. Callable on 12/8/00 at 99.20% and on 12/8/02 at 99.48%. o) Fungible with $200m. Plus 279 days accrued. q) Automobile Securitised Finance. Secured by auto loan receivables arranged by Astra Sedaya Finance. Expected average life: 11.7 months. Callable from 18/2/98 at par. q1) 1-mth Libor +17bp. r) Secured by oil production royalties. Quarterly coupons. Amorties in 24 equal instalments. Average life: 3.09 yrs. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]													
Saudi Arabia	(SR)	5.7844	-0.0557	822 - 866	5.8205	5.7768	-	-	-	-	-	-	-
Singapore	(S$)	2.1847	-0.0171	824 - 869	2.1945	2.1824	-	-	-	-	-	-	-
South Africa	(R)	6.9061	-0.1089	020 - 142	6.9782	6.9018	-	-	-	-	-	-	-
South Korea	(Won)	1254.97	-11.23	441 - 553	1261.93	1253.41	-	-	-	-	-	-	-
Taiwan	(T$)	42.4241	-0.4256	026 - 455	42.7002	42.3740	-	-	-	-	-	-	-
Thailand	(Bt)	38.9663	-0.3598	459 - 866	39.1800	38.9220	-	-	-	-	-	-	-

† Rates for Aug 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
[illegible]													
Philippines	(Peso)	[illegible]	-	600 - 900	26.2300	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	-	-	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4165	+0.0025	155 - 175	1.4175	1.4143	1.413	3.0	1.407	2.7	1.3815	2.5	-
South Africa	(R)	4.4791	-0.0259	766 - 816	4.5020	4.4760	4.5266	-12.7	4.6166	-12.3	4.9541	-10.6	-
South Korea	(Won)	813.700	+0.55	600 - 800	814.000	813.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5070	-0.011	020 - 120	27.5120	27.4950	27.512	-0.2	27.517	-0.1	-	-	-
Thailand	(Bt)	25.2650	+0.01	600 - 700	25.2720	25.2320	25.3637	-4.7	25.5675	-4.8	26.45	-4.7	-

† SDR rate per $ for Aug 1 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 31: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅜	3⅜	3⅝	7.00	2.50	-
week ago	3¼	3¼	3⅜	3⅜	3⅝	7.00	2.50	-
France	3⅝	3⅝	3¾	3⅞	4⅛	3.55	-	4.75
week ago	3¾	3¾	3¾	3⅞	4	3.55	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3½	3⅝	4.50	2.50	3.30
Ireland	5½	5⅝	5⅝	5⅝	5⅞	-	-	6.25
week ago	5⅜	5⅝	5½	5⅝	5⅞	-	-	6.25
Italy	8¾	8⅝	8⅝	8½	8¼	-	9.25	8.73
week ago	9¼	8⅝	8⅝	8½	8½	-	8.25	8.73
Netherlands	2⅞	2⅞	3⅛	3⅛	3⅛	-	3.00	3.30
week ago	2⅞	2⅞	3⅛	3¼	3½	-	3.00	3.30
Switzerland	1¾	2¼	2⅛	2½	2½	5.00	1.50	-
week ago	2⅛	2¼	2½	2⅜	2¾	5.00	1.50	-
US	5⅜	5⅜	5½	5⅝	5⅞	-	5.00	-
week ago	5⅜	5⅜	5¼	5⅝	6⅛	-	5.00	-
Japan	½	½	½	½	1	-	0.50	-
week ago	½	½	½	½	1⅛	-	0.50	-
$ LIBOR FT London								
Interbank Fixing	-	5⅜	5⅝	5¾	6⅛	-	-	-
week ago	-	5⅜	5¾	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.22	5.31	5.40	5.64	-	-	-
week ago	-	5.22	5.35	5.48	5.77	-	-	-
ECU Linked Ds	-	4⅜	4¾	4⅝	4⅝	-	-	-
week ago	-	4⅝	4¾	4⅝	4½	-	-	-
SDR Linked Ds	-	3¼	3⅜	3½	3¾	-	-	-
week ago	-	3¼	3⅜	3½	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅝ - 3½
Danish Krone	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3¾	4 - 3⅞	4⅛ - 3⅞	4⅜ - 4¼
D-Mark	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅝ - 3½
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	3 - 2⅞	3⅛ - 3	3¼ - 3⅛	3½ - 3⅜
French Franc	3⅝ - 3½	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3¾	4⅛ - 4
Portuguese Esc.	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7¼	7⅝ - 7¼
Spanish Peseta	7½ - 7¼	7½ - 7⅜	7½ - 7⅜	7⅜ - 7¼	7⅜ - 7¼	7¼ - 7⅛
Sterling	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅝ - 5½	5⅞ - 5¾	6⅛ - 5⅞
Swiss Franc	2⅛ - 2	2⅛ - 2	2⅜ - 2¼	2½ - 2⅜	2⅝ - 2½	2¾ - 2⅝
Can. Dollar	4½ - 4⅜	4½ - 4⅜	4⅝ - 4½	4⅝ - 4½	4⅞ - 4¾	4⅞ - 4¾
US Dollar	5½ - 5⅜	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½	5¾ - 5⅝	6 - 5⅞
Italian Lira	9¼ - 8⅞	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾	8½ - 8⅜	8⅜ - 8¼
Yen	½ - ⅜	½ - ⅜	½ - ⅜	⅝ - ½	¾ - ⅝	1⅛ - 1
Asian $Sing	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½

Short term rates are call for the US Dollar and Yen, others two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Sep	94.31	94.43	+0.12	94.45	94.31	113,093	392,971
Dec	94.05	94.25	+0.21	94.27	94.04	200,791	445,771
Mar	93.91	94.14	+0.22	94.25	93.94	168,100	290,732

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Sep	94.84	94.82	-	94.86	94.84	977	7,777
Dec	94.67	94.67	-	94.84	94.66	212	1,759
Mar	94.66	94.50	-	94.66	94.66	478	606

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.74	16.47	4.849	2.040	4977	5.440	20.93	498.9	412.6	21.57	3.949	2.128	4.511	3.281	350.9	2.583
Denmark	(DKr)	53.37	10	8.790	2.588	1.089	2656	2.903	11.17	266.3	220.2	11.51	2.107	1.135	2.407	1.751	187.2	1.378
France	(FFr)	60.72	11.38	10	2.944	1.239	3022	3.303	12.71	302.9	250.6	13.10	2.398	1.292	2.739	1.992	213.0	1.568
Germany	(DM)	20.62	3.864	3.397	1	0.421	1026	1.122	4.316	102.9	85.06	4.449	0.814	0.439	0.930	0.677	72.36	0.533
Ireland	(I£)	49.01	9.184	8.072	2.376	1	2439	2.666	10.26	244.5	202.2	10.57	1.935	1.043	2.211	1.608	171.9	1.266
Italy	(L)	2.009	0.377	0.331	0.097	0.041	100.	0.109	0.421	10.03	8.290	0.434	0.079	0.043	0.091	0.066	7.050	0.052
Netherlands	(Fl)	18.38	3.444	3.027	0.891	0.375	914.7	1	3.847	91.71	75.83	3.966	0.726	0.391	0.829	0.603	64.49	0.475
Norway	(NKr)	47.78	8.954	7.870	2.317	0.975	2378	2.600	10	238.4	197.1	10.31	1.887	1.017	2.155	1.568	167.6	1.234
Portugal	(Es)	20.04	3.756	3.301	0.972	0.409	997.4	1.090	4.194	100.	82.69	4.324	0.791	0.426	0.904	0.658	70.32	0.518
Spain	(Pta)	24.24	4.542	3.992	1.175	0.495	1206	1.318	5.073	120.9	100.	5.229	0.957	0.516	1.093	0.795	85.04	0.626
Sweden	(SKr)	46.35	8.685	7.634	2.248	0.946	2307	2.522	9.700	231.3	191.2	10	1.830	0.986	2.091	1.521	162.6	1.197
Switzerland	(SFr)	25.32	4.745	4.171	1.228	0.517	1260	1.378	5.300	126.3	104.5	5.463	1	0.539	1.142	0.831	88.85	0.654
UK	(£)	47.00	8.807	7.741	2.279	0.959	2339	2.557	9.836	234.5	193.9	10.14	1.856	1	2.120	1.542	164.9	1.214
Canada	(C$)	22.17	4.154	3.651	1.075	0.452	1103	1.206	4.640	110.6	91.46	4.783	0.875	0.472	1	0.727	77.78	0.573
US	($)	30.48	5.711	5.020	1.478	0.622	1517	1.658	6.379	152.1	125.7	6.576	1.204	0.649	1.375	1	106.9	0.787
Japan	(Y)	28.50	5.341	4.694	1.382	0.582	1418	1.551	5.965	142.2	117.6	6.149	1.126	0.606	1.286	0.935	100.	0.736
Ecu		38.71	7.255	6.376	1.877	0.790	1927	2.106	8.102	193.2	159.7	8.353	1.529	0.824	1.746	1.270	135.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Sep	0.6768	0.6792	+0.0001	0.6794	0.6765	14,045	70,818
Dec	0.6815	0.6832	-0.0001	0.6834	0.6808	485	2,891
Mar	0.6868	0.6875	-0.0003	0.6868	0.6868	18	633

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Sep	0.8355	0.8357	+0.0004	0.8366	0.8310	11,891	39,837
Dec	0.8368	0.8423	+0.0002	0.8426	0.8373	186	2,251
Mar	-	0.8493	+0.0001	-	-	53	98

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.9395	0.9414	+0.0023	0.9428	0.9371	30,406	65,628
Dec	0.9529	0.9528	+0.0019	0.9536	0.9500	603	4,597
Mar	-	0.9641	+0.0014	0.9655	0.9638	2	124

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5536	1.5410	-0.0112	1.5530	1.5390	8,252	52,148
Dec	1.5498	1.5410	-0.0114	1.5498	1.5382	123	1,284
Mar	-	1.5416	-0.0118	1.5590	-	1	6

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Aug	Sep	Oct	PUTS Aug	Sep	Oct
1.530	1.44	1.82	2.14	0.12	0.57	0.90
1.540	0.75	1.21	1.58	0.44	0.98	1.32
1.550	0.32	0.75	1.10	1.04	1.52	1.85
1.560	0.12	0.43	0.74	1.80	2.19	2.51
1.570	0.03	0.21	0.46	-	-	-

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

Pound in New York

Aug 2	—Close—	—Prev. close—
£ spot	1.5430	1.5530
1 mth	1.5425	1.5525
3 mth	1.5422	1.5524
1 yr	1.5416	1.5537

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 19 in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Aug 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 3	5⅝ - 5⅜	5⅝ - 5½	5⅝ - 5½	5⅞ - 5¾	6⅛ - 5⅞
Sterling CDs	-	-	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞
Treasury Bills	-	-	5⅝ - 5½	5⅝ - 5½	-	-
Bank Bills	-	-	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	-
Local authority deps.	5⅝ - 5⅜	5¾ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	6⅛ - 5⅞
Discount Market deps	5¾ - 5¼	5⅝ - 5⅝	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 2, 5.5349pc. ECGD fixed rate Stlg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 2	Jul 26		Aug 2	Jul 26
Bills on offer	£600m	£600m	Top accepted rate	5.5552%	5.5151%
Total of applications	£1682m	£1334m	Ave. rate of discount	5.5349%	5.5143%
Total allocated	£600m	£600m	Average yield	5.6123%	5.5912%
Min. accepted bid	£98.615	£98.625	Offer at next tender	£600m	£600m
Allotment at min. level	18%	97%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday July 31	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	221,529,602	-371,802,510
Bankers deposits	1,800,668,459	-3,888,734
Reserve and other accounts	3,903,255,759	+289,874,227
	5,940,006,820	-85,817,017
Assets		
Government securities	1,570,696,400	-142,270,000
Advance and other accounts	3,491,223,656	+1,562,700,634
Premise, equipment and other secs	866,661,872	-1,506,476,942
Notes	11,297,039	+231,265
Coin	127,853	-1,974
	5,940,006,820	-85,817,017
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,878,702,961	+89,768,735
Notes in Banking Department	11,297,039	+231,265
	20,890,000,000	+90,000,000
Assets		
Other Government securities	8,133,578,014	-3,583,115,307
Other Securities	12,756,421,986	+3,673,115,307
	20,890,000,000	+90,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Smith & Williamson Secs	5.75
Bank of Baroda	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Western Trust	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75	* In administration	
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		

FT GOLD MINES INDEX

	Aug 2	% chg since 29/12/95	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (37)	2048.21	+6.6	52.78	100.00	1.55	-	2520.73	1722.83
Regional Indices								
Africa (13)	2698.19	+7.8	14.45	27.37	2.99	37.75	3553.86	2272.74
Australasia (7)	2314.90	-2.3	6.27	11.89	2.45	22.15	2827.34	2123.50
North America (11)	1817.96	+7.9	32.05	60.74	0.73	65.95	2186.39	1488.94

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§70	F.P.	15.4	78	72	†AND Intl	72		-	-	-	-
§60	F.P.	7.78	58	33	†Allzyme	45		-	-	-	-
§	F.P.	202.5	235	228	Allid Carpets	230		-	-	-	20.0
*	F.P.	910.1	£20¼	£18⅞	Alumax	£20¼	+⅛	-	-	-	-
§215	F.P.	211.8	233	215	Atkins WS	230		L5.8	2.4	3.2	18.5
§125	F.P.	40.4	135	123	†BATM Adv Comms	130	+2	-	-	-	-
100	P.P.	1,402	102½	89	British Energy	102¼	+¾	F13.7	-	8.6	-
§71	F.P.	12.5	85	78	†Digital Animatns	85		-	-	-	-
§3	F.P.	3.07	4	4	†Drings of Bath	4		-	-	-	-
§145	F.P.	31.1	153	148	†Elec Retail Sys	148		-	-	-	-
§	F.P.	2.52	58	41	†Fayrewood	48		-	-	-	-
163	F.P.	4.17	192	169	†HIT Entm	189		-	-	-	61.4
§68	F.P.	2.82	68	53	†Hat Pin	64		u2.72	2.0	5.3	11.8
§100	F.P.	24.2	97	94	Hoare Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.75	15	12	†Life Numbers	15		-	-	-	-
§	F.P.	0.19	6	2	†Life Numbers Wts	6		-	-	-	-
§	F.P.	0.28	1½	1	†Lotteryking Wts	1½		-	-	-	-
-	F.P.	1.25	19	17	NECA	17		-	-	-	-
§170	F.P.	33.1	187½	164	Plasmon	174	+1	-	-	-	27.0
-	F.P.	0.38	2	1½	†Pordum Foods Wts	1¾		-	-	-	-
§113	F.P.	53.3	116	113	Quintain Estates	114		-	2.8	-	15.8
§105	F.P.	26.4	118	105½	Robert Walters	115		L2.0	3.9	2.2	14.6
§149	F.P.	18.2	156	151	†SCI Ent	156		-	-	-	-
§66	F.P.	13.3	70	66	†Selector	68		-	-	-	-
§525	F.P.	101.5	525	472	Therap'tic Antbd	474	+2	-	-	-	-
§134	F.P.	28.2	179	143	†UNO	166	+1	-	-	-	38.5
-	F.P.	4.88	125	120	†West 175 Entrs	125	+5	-	-	-	-
*	F.P.	5.75	12	11	†Xavier Computer	11		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	Low	Stock	Closing price p	+or-
100	Nil	15/8	1½pm	1pm	Inspirations 7.7% Pf	1½pm	
250	Nil	16/8	10pm	10pm	Lorien	10pm	
100	Nil	12/8	27pm	16pm	Old English Pubs	16pm	
595	Nil	2/9	383pm	85pm	Sema Group	131pm	+7
110	Nil	28/8	3pm	1½pm	Syndicate Cap	1½pm	
80	Nil	27/8	10pm	5pm	Tullow Oil	6pm	

pm premium.

UK GILTS PRICES

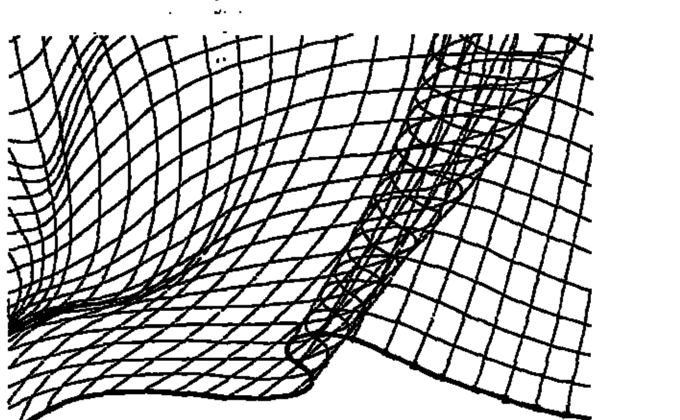
[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]



LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

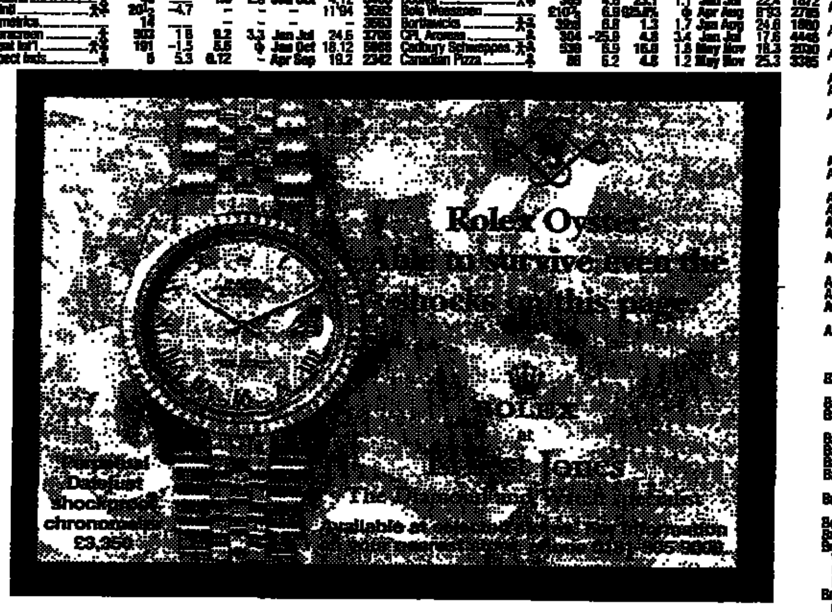
DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING



ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k's ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Anglo Am Ind		£22¼	-21.1	Q545c	ϕ	May Oct	3.93	-
Barlow	$†	481½	0.2	Q91c	-	Jan Jul	17.6	-
Gold Flds Prop R		120xd	-8	Q80c	1.5	Mar Sep	26.7	-
NK Props		80	6.7	Q53.9c	-	Mar Sep	1.9	-
SASOL	♥	685	-6	Q78c	-	Oct	9.93	-
SA Brews		£17⅛	-7	Q209c	ϕ	Jul Dec	3.6	4113
Standard Bank		£26⅝	-5	Q284c	3.1	Sep Mar	-	-
Tiger Oats	†	785	-6	Q114c	3.0	Jan Jul	10.6	-
Tongaat-Hulett		736xd	—	Q130c	ϕ	Jan Jun	20.5	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend, cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

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FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Belhaven (Breweries), Pace Micro (Electronic & Elec Eq), Templeton Central & East Wts (Other Inv Trusts), Lotteryking, Network Techn (AIM). **Deletions:** Cape 8.4pc Prf (Chemicals), Hanson 9½pc Cnv (Diversified Inds), SeePerfect (Food Prod), Nth American Gas (Inv Trusts), Pictet British C (Inv Co's), Telegraph (Media).

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 3531 407 2000
Murray Global Accumulation Fund Plc
Murray Financials Bond . 2 102.59 5.32 -

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 790 2400

Odey European Gth Inc..	DM150.18	-	45084
Odey European Gth Acc	DM150.73	-	45138
Odey European Gth Inc..	£65.10	-	51293
Odey European Gth Acc.	£65.34	-	51294

Baring Mutual (Ireland) Ltd

Umbrella Fixed Inc	$12.55	12.93	5.64	45874
Capital America Fund '92	$85.94		0.00	45879
Pacific Emerging 94 A	$85.10		0.00	52198
Pacific Emerging 94 B	$81.87		0.00	52200
Latin America	$67.08		0.00	54437

Berkshire KITC Growth Fund Plc
NAV $8.10 - -

Berkshire Korea Fund Plc
NAV $5.40 - 55026

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Offshore Funds and Insurances

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Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

TSB Fund Managers (CI) Ltd

WMB Asset Management (Jersey) Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

E.T. Investment Management Ltd

Eigisian Global SICAV (u)

EquiFund–Wright National Eqty Fd (u) (x)

Fidelity Funds (u)

Manulife Regent Global Fund (u) (z)

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Svenska Securities

Swiss Bank Corporation

Citi Ins Co Ltd/Clerical Med Gen Life

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	Yield Gross	City-Line
Trading Strategic B	112.80		-	54692
Developing Mkts Strategic A	106.15		-	54693
Developing Mkts Strategic B	107.54		-	54694
GAM Select				
Select Asean Class A	$98.38		-	58529
Select Asean Class B	$95.00		-	58530
Select European A	$102.68		-	58531
Select European B	$96.75		-	58532
Select Japan A	$114.91		-	58533
Select Japan B	$118.78		-	58523
Select Money Markets B	$101.04		-	-
Select North American A	$98.84		-	-
Select North American B	$114.57		-	58537
Select Pacific A	$108.02		-	58538
Select Pacific B	$106.05		-	58539

	Selling Price	Buying Price	Yield Gross	City-Line
JF Money Fund - £	£104.31	104.31	5.32	46153
JF Money Fund - SFr	SFr101.07	101.07	1.83	45204
JF Money Fund - Ecu	Ecu103.18	103.18	3.77	50321
JF Money Fund - C$	C$103.66	103.66	4.15	43040
JF Money Fund - A$	A$105.20	105.20	7.05	43041
JF Money Fund - HK$	HK$103.81	103.81	5.08	46158
JF Capital Guaranteed Master Series				
Hong Kong Index Sub Fund	$9.78	10.81	-	-
Tokyo Index Sub Fund	$9.85	10.87	-	-
New York Index Sub Fund	$9.87	10.28	-	-
DEM Bull Sub Fund	$9.50	10.07	-	-
DEM Bear Sub Fund	$9.84	10.88	-	-
Yen Bull Sub Fund	$9.15	10.06	-	-
Yen Bear Sub Fund	$9.89	10.46	-	-
USD Account			-	-

Global Asset Management - Contd.

	Selling Price	Buying Price	Yield Gross	City-Line
GAM Managed Portfolio				
Managed Portfolio	$1065.45		-	58524
Swiss Registered Funds				
GAM (CH) Europe	SFr103.35		-	43767
GAM (CH) Mondial	SFr177.15		-	43763
GAM (CH) Pacific	SFr254.15		-	43768
SEC Registered Funds				
GAMerica Capital	$12.24		-	58528
GAM Asian Capital	$9.47		-	58522

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	Yield Gross	City-Line
Limited Issue Funds *				
JF Far Eastern Wrrts Tst.	$7.68	6.14	-	40855
JF Guaranteed Currency Tst.II			-	-
JF Japan Capital Guaranteed Ist.	$12.15		-	58546
JF Japan Capital Guaranteed Tst II	£14.81		-	58505
JF Japan Capital Guaranteed Tst III	$14.04		-	58546
JF Japan Ninja Leveraged	Y705	747	-	46799
JF Japan Warrant Tst	$5.68	6.00	-	47018
JF Ninja Tst (Unauthorised)	Y3541	3747	-	50290

OTHER OFFSHORE FUNDS

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 2 / Sch) [illegible]

BELGIUM/LUXEMBOURG (Aug 2 / Frs.) [illegible]

CZECH REP (Aug 2 / Korunas) [illegible]

DENMARK (Aug 2 / Kr) [illegible]

FINLAND (Aug 2 / Mkk) [illegible]

FRANCE (Aug 2 / Frs.) [illegible]

GERMANY (Aug 2 / Dm.) [illegible]

GREECE (Aug 2 / Drachma) [illegible]

ITALY (Aug 2 / Lira) [illegible]

NETHERLANDS (Aug 2 / Fls.) [illegible]

NORWAY (Aug 2 / Kroner) [illegible]

POLAND (Aug 2 / Zloty) [illegible]

PORTUGAL (Aug 2 / Escudo) [illegible]

SPAIN (Aug 2 / Pts.) [illegible]

SWEDEN (Aug 2 / Kronor) [illegible]

SWITZERLAND (Aug 2 / Frs.) [illegible]

TURKEY (Aug 2 / Tk Lira) [illegible]

PACIFIC

JAPAN (Aug 2 / Yen) [illegible]

AUSTRALIA (Aug 2 / Aust$) [illegible]

HONG KONG (Aug 2 / H.K.$) [illegible]

INDONESIA (Aug 2 / Rupiah) [illegible]

MALAYSIA (Aug 2 / MYR) [illegible]

NEW ZEALAND (Aug 2 / NZ $) [illegible]

SINGAPORE (Aug 2 / S$) [illegible]

SOUTH KOREA (Aug 2 / Won) [illegible]

TAIWAN (Aug 2 / TW $) [illegible]

THAILAND (Aug 2 / Baht) [illegible]

AFRICA

SOUTH AFRICA (Aug 2 / Rand) [illegible]

NORTH AMERICA

CANADA

TORONTO (Aug 2 / Can $) 4 pm close [illegible]

MONTREAL (Aug 2 / Can $) 4 pm close [illegible]

INDICES

	Aug 2	Aug 1	Jul 31	1996 High		1996 Low	
India							
BSE Sens.(1979)	3611.63	3538.60	3536.94	4069.26	18/6	2828.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	560.96	548.93	538.02	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2465.94	2454.06	2446.55	2585.19	18/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	613.62	604.73	599.75	674.39	20/5	572.21	27/3
MIB General(2/1/95)	1040.0	1025.0	1017.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20940.41	20984.83	20692.83	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	296.57	296.77	294.48	319.70	26/6	284.48	11/3
Weighted Pr.**(30/6/66)	6160.89	(c)	(c)	6580.41	20/6	4690.22	6/2
Thailand							
Bangkok SET(30/4/75)	1104.83	1088.60	1084.04	1415.04	6/2	1084.04	31/7
Turkey							
Istanbul Comp.(Jan 1986)	65453.7	58503.7	63365.6	73531.90	8/7	36778.30	2/1
WORLD							
MS Capital Intl$(1/1/70)	764.6*	759.4	751.5	783.26	1/7	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1631.55	1608.16	1598.93	1709.78	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1401.25	1385.42	1374.81	1458.28	28/4	1333.01	11/1
HSBC JC Dgn(31/12/88)	(u)	361.38	356.25	383.16	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	156.79	154.48	153.29	165.81	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Aug	2020.0	2026.0	+19.0	2036.0	2015.0	13,444	24,606
Sep	2025.5	2031.5	+18.5	2038.0	2022.5	1,029	22,458
■ DAX							
Sep	2513.0	2529.5	+13.5	2535.0	2513.0	16,597	94,322
Dec	2535.0	2548.0	+17.5	2552.0	2535.0	193	5,229

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Jul	1490.00	1508.00	+37.00	1508.50	1475.00	6,347	13,277
Aug	1489.00	1500.00	+26.50	1500.00	1482.75	136	2,584
■ SOFFEX							
Aug	3538.0	3608.5	+132.5	3608.5	3533.0	8,077	30,312
Oct	3553.0	3618.0	+40.0	3608.0	3553.0	11	261

** Sat Jul 27: Taiwan Weighted Price 6173.86, Korea Comp Ex 804.56. Base values of all Indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 2 - 2520.28 +16.10.

US INDICES

Industrials♥	783.03	769.55	757.98	807.86 (5/6)	702.07 (15/1)	807.86 (5/6/96)	3.62 (21/6/32)
Financial	68.16	67.10	65.80	69.16 (2/8)	58.87 (10/1)	69.16 (2/8/96)	8.64 (1/10/74)
NYSE Comp.	353.87	347.78	342.70	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	548.97	544.12	539.50	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1124.92	1098.85	1080.59	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jul 26	Jul 19	Jul 12	Year ago
Dow Jones Ind. Div. Yield	2.28	2.30	2.26	2.42
	Jul 31	Jul 17	Jul 10	Year ago
S & P Ind. Div. yield	2.10	2.32	2.03	2.07
S & P Ind. P/E ratio	21.35	18.63	21.97	18.88

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Micron Tech	8,868,200	22⅞	+3⅝
Fed Nat	6,247,000	34⅞	+1⅝
AT & T	4,954,600	54⅛	+1¼
Pepsico	4,645,700	33⅝	+1½
K-Mart	4,079,700	10⅞	+⅜
Compaq	3,726,900	56⅛	+⅞
Bankamerica	3,635,200	84¼	+2¼
LSI Logic	3,554,300	22	+2⅝
Hew-Pack	3,531,500	45⅛	+1¼
Chase Man	3,519,300	74⅛	+3

■ TRADING ACTIVITY

● Volume (million)	Aug 2	Aug 1	Jul 31
New York SE	444,744	440,629	390,265
Amex	19,824	20,689	19,589
NASDAQ	(u)	514,954	494,045
NYSE			
Issues Traded	3,205	3,180	3,150
Rises	2,102	1,973	1,545
Falls	505	546	873
Unchanged	598	661	732
New Highs	135	75	32
New Lows	23	43	52

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	653.10	666.35	+13.30	666.60	659.10	73,092	180,739
Dec	664.00	672.25	+13.35	672.60	664.00	984	10,107
■ Nikkei 225							
Sep	21120.0	21000.0	–30.0	21160.0	20960.0	17,332	234,214
Dec	21110.0	21100.0	+30.0	21110.0	21030.0	1,122	13,974

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, August 2, 1996

	Stocks Traded	Closing Prices	Change on day
TYK Corp	9.2m	1130	+40
NKK Corp	4.2m	306	+1
Nippon Stl Corp	3.5m	360	
Kanematsu Corp	3.0m	636	-14
Sumitomo Mtl Ind	2.8m	324	
Ichihara Hvy Ind	2.8m	523	+6
Japan Stl Works	2.5m	316	+6
Toshiba Corp	2.5m	720	+10
Hitachi	2.4m	967	+4
Nomura Secs	2.4m	1880	+10

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‖ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.
(A) Owing to problems at Telekurs some German prices for 1/8/96 were incorrect.

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4 pm close August 2

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

هكذا من الاصل

4 pm close August 2

NYSE PRICES

Continued from previous page

- V -

- W -

- X - Y - Z -

- T -

- U -

Price data supplied by Telekurs

FT Free Annual Reports Service

NASDAQ NATIONAL MARKET

4 pm close August 2

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX PRICES

4 pm close August 2

Stock	Div.	E	100s	High	Low	Close	Chng
Pegasus G	0.10	122	933	12⅜	12	12¼	
Perini	0.80	1	161	10⅜	10¼	10¼	+⅛
PitwayA	0.33	13	171	43¼	42½	42⅞	+⅜
PMC	1.12	11	49	12¼	12⅛	12¼	
RaganBrad		27	z100	30¾	d30¾	30¾	
SJW Corp x	2.22	9	25	36½	36⅜	36½	-⅛
Tab Prods	0.20	12	69	7	6¾	7	+¼
TelSData	0.40	16	540	40¾	39⅞	40⅝	+⅝
Thermedics		55	468	26⅞	26½	26½	-⅛
Thermoins		32	203	35	34⅝	34⅝	+⅜
TotPNA	0.30	149	147	10½	10¼	10½	+⅛
TownCntry		4	30	[illegible]	¾	¾	[illegible]
Triton		0	58	[illegible]	⅝	[illegible]	
Tubos Mex		6	4806	u10⅜	9⅞	10⅜	+½
TurnerBrA	0.07	116	511	27	26¾	26¾	+¼
TurnerBrB	0.07	116	3474	27	26¾	26⅞	+⅜
UtdFoodsA		21	z100	1¾	d1¾	1¾	-⅛
UtdFoodsB	0.20	23	2	1⅞	1⅞	1⅞	
US Cellul		18	96	30¾	30⅜	30⅝	-⅛
ViacomA		118	1119	34¾	34¼	34⅝	+¼
ViacomB		121	9157	35½	35⅛	35⅝	+⅜
WIRET	1.12	19	358	12⅞	12½	12¾	+⅜
Xytronix		3	67	2[illegible]	1⅞	2	+⅛

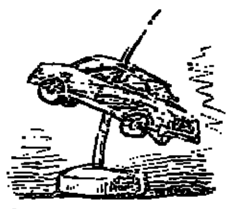
FT GUIDE TO THE WEEK

MONDAY 5

Korean presidents' trial

The trial for sedition of South Korean presidents Chun Doo-hwan and Roh Tae-woo is scheduled to end. Prosecutors are expected to ask for the death penalty, although this is thought an unlikely outcome when the court announces the sentence in mid-August. The two former presidents and 14 other defendants are on trial for conducting a 1979 army coup and ordering the bloody suppression of a 1980 pro-democracy demonstration in the south-west city of Kwangju.

Sao Paulo curbs car use



Brazilian motorists in traffic-logged Sao Paulo, the largest and most polluted city in South America, must leave their cars at home one day a week from today until the end of the month. Cars will be grounded for one working day in five according to the final number on their licence plates. The move has upset some residents, who face a fine of R$100 (US$99) for non-compliance.

Retuning for 10m videos

Work starts on retuning nearly 10m videos and television sets in the UK, in preparation for the launch of Channel 5, the terrestrial television channel, on January 1. The company is to employ 7,000 engineers and estimates the cost of retuning will be £55m. Channel 5 is backed by a consortium including Pearson (owner of the Financial Times) and United News & Media.

Bosnian poll deadline

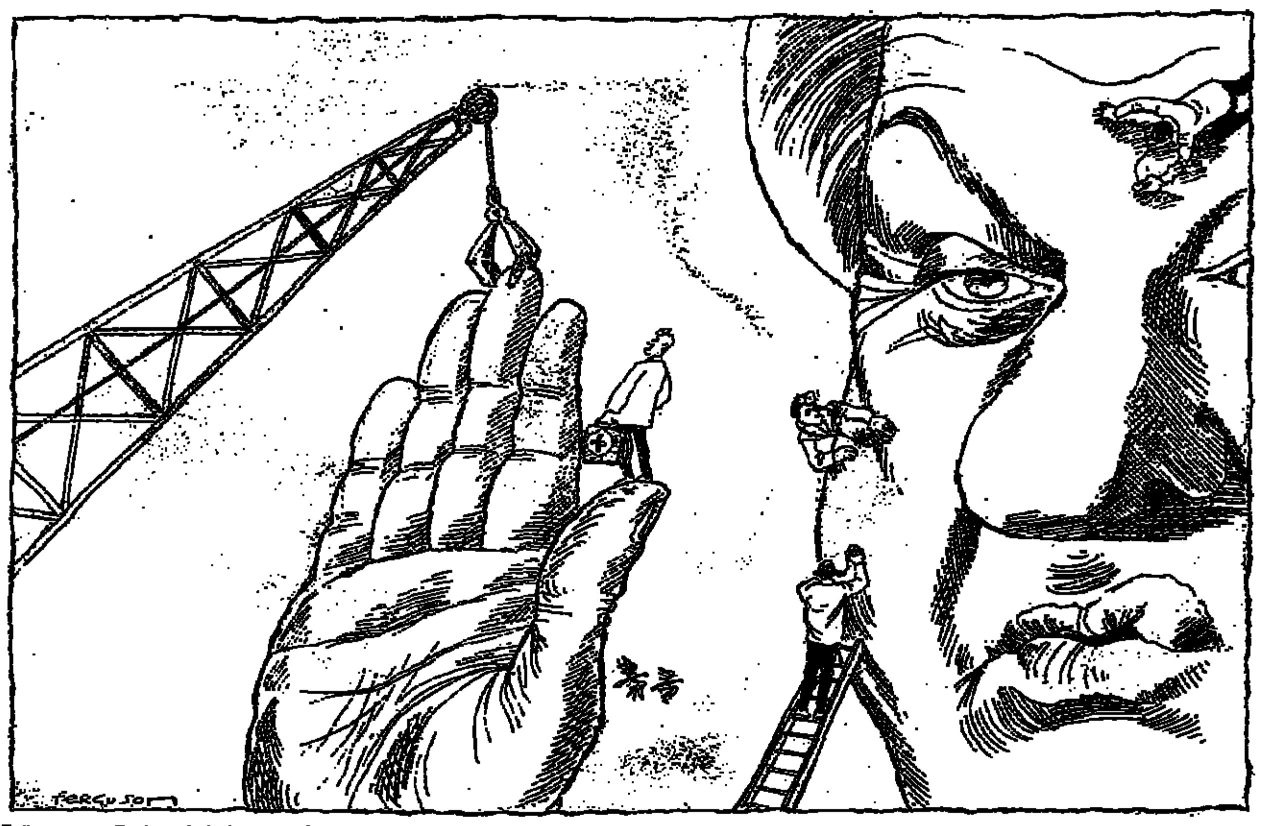
Electoral registration closes for Bosnians living outside the former Yugoslav republic who intend to vote in the September elections. The Organisation for Security and Co-operation in Europe, which is organising the poll, extended the deadline in order to allow as many Bosnian refugees as possible the chance to register. With 1.4m of the country's 3.2m voters living abroad, the election is seen as a chance to help reunify Bosnia after four years of war.

Building society subsumed

After 150 years of northern thrift, National & Provincial, until today the UK's seventh-largest building society, disappears as a brand as it is formally subsumed into Abbey National, the bank which took over the society for £1.35bn. The N&P name will be replaced with the Abbey banner on 200 branches.

Public holidays

Australia (New South Wales and Northern Territory), Bangladesh, Canada (except Quebec), El Salvador, Irish Republic, Scotland, Bahamas, Barbados, British Virgin Islands, Dominica, Jamaica, Grenada, Zambia, Iceland.



Full support: Boris Yeltsin is sworn in as Russian president on Friday, but attention will be focused as much on his health as the pomp

TUESDAY 6

Buenos Aires gains mayor

Fernando de la Rúa, a member of Argentina's Radical party, takes over as the first elected mayor of Buenos Aires after his resounding victory in May elections over the Peronist party, which governs at national level. Mr de la Rúa, who may use the post to launch a presidential bid in 1999, inherits a wealthy city, but one plagued by corruption and mismanagement. Previous mayors were appointed by the president.

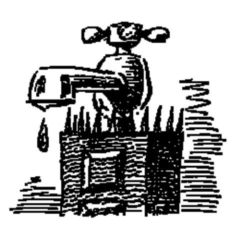
Japan bomb anniversary

In the week of the 51st anniversary of the dropping of atomic bombs on Hiroshima and Nagasaki, the Japanese mark the occasion with traditional solemnity. Mr Ryutaro Hashimoto, the prime minister, is to attend services in Hiroshima today and in Nagasaki on Friday. Two rival anti-nuclear groups hold their annual World Ban the Bomb conventions in the two cities. The Communist-backed Japan Council against A and H Bombs and the Socialist-aligned Japan Congress against A and H Bombs split in the 1960s over differing attitudes towards the Soviet Union's atomic bomb tests.

Olympic show in Athens

Athens stages an extravagant official welcome for Greece's eight Olympic medallists at Atlanta. The country is celebrating its best performance in the Olympics with an event which will conveniently help Athens advertise its attempt to stage the games in 2004. A torch-lit ceremony will be held at the marble stadium where the first modern games were held in 1896.

UK water company in court



The UK Department of the Environment takes South West Water, one of the UK's nine privatised water and sewerage companies, to court for the alleged contamination of its water supplies. The case stems from an incident last year when 575 people in south Devon experienced stomach upsets caused by an outbreak of cryptosporidiosis.

Rowing

World championships, Strathclyde, Scotland (to Aug 11).

Equestrianism

Dublin Horse Show, Ireland (to Aug 11).

Public holidays

El Salvador, Bolivia, Grenada, United Arab Emirates, British Virgin Islands.

WEDNESDAY 7

Gambia democracy vote

Gambians vote on a new constitution to prepare for the return of a democratic rule. Captain Yaya Jameh, who leads the country's military regime, has promised to lift a ban on political parties following the poll in order to prepare for a presidential election on September 11. However, he has warned political aspirants they will be "executed" if they cause trouble in the run-up to the presidential vote. The Commonwealth says it expects the reforms to lead to democracy by the end of the year. Gambia has been under military rule since July 1994.

Communists reorganise

Russia's Communists are holding a congress in Moscow to remodel themselves as a coalition of communist and nationalist forces, following their candidate's loss in the presidential election last month. The organisation is expected to form a broad-based opposition to President Boris Yeltsin, and intends to participate in local authority elections later this year.

UK inflation report

The Bank of England publishes its quarterly report on the outlook for UK inflation. Eddie George, the governor of the Bank, disagreed with the chancellor's decision to cut interest rates to 5.75 per cent on June 5, so analysts will be keen to see how concerned the Bank is now that inflation is set to run above target in two years. The report will also be scrutinised for hints about the Bank's views on the Budget in November, after a warning from the International Monetary Fund that there was no scope for tax cuts.

Public holidays

Colombia, Ivory Coast, British Virgin Islands, St Lucia, Western Samoa.

THURSDAY 8

Argentine strike called

The CGT trades union congress is calling a general strike to protest against measures aimed at cutting workers' pay, through ending tax exemption on luncheon and supermarket vouchers and trimming wage supplements. Domingo Cavallo, the economy minister who proposed the measures, has since been sacked, but Roque Fernández, his successor, has vowed to push through the measures. The governing Peronist party has been working behind the scenes to stop the strike but, short of scrapping the controversial measures, is thought to have little chance of success.

Cricket

Second Test, England v Pakistan, Headingley, Leeds (to Aug 12).

Golf

US PGA championship, Louisville, Kentucky (to Aug 11).

Public holidays

Iraq, Tanzania.

FRIDAY 9

Yeltsin inauguration

In the first ceremony of its kind, Boris Yeltsin is to be inaugurated as president of Russia after his decisive victory in elections last month. Senior foreign dignitaries and the presidents of most of the Commonwealth of Independent States will watch Mr Yeltsin sworn in for a four-year term. But all eyes will be looking for signs to gauge the health of Mr Yeltsin, who has not been seen in public since the elections. The ceremony is expected to be a lavish affair with a new anthem composed for the occasion.

Public holidays

Singapore, South Africa, Ecuador.

SATURDAY 10

Ulster Protestants march

Northern Ireland faces further sectarian clashes when local Catholic nationalists seek to oppose a Protestant march by the Apprentice Boys in Londonderry, marking the siege of the city by the Catholic forces of King James II in the 17th century. Local politicians and churchmen have attempted to mediate a compromise, to avoid the ugly scenes last month when a police decision to allow a Protestant Orange march through a Catholic area resulted in province-wide rioting.

New president for Ecuador

Abdala Bucaram takes office as Ecuador's president after his surprising eight-point victory in the July 7 election. The 44-year-old populist ran a virulent campaign, with attacks on the concentration of political and economic power, promises of more houses, basic services, health and education, and a continued role for the state as employer. His platform won him the support of poorer voters, but unnerved businessmen and foreign investors. These have since been reassured by signs of continuity with the economic policy and personnel of the outgoing government, which had slowed annual inflation from 55 per cent to 23 per cent.

Athletics

IAAF grand prix meeting, Monte Carlo.

SUNDAY 11

Perot seeks nomination

Ross Perot, the Texan billionaire, and Richard Lamm, the former Colorado state governor, seek the nomination of the Reform party as US presidential contender. The two candidates put their case to a convention in Long Beach, California, after which voting takes place by a postal ballot of the party's 1.3m members. The result is expected to be announced at a second convention on August 18.

Edinburgh festival opens

The 50th Edinburgh International Festival opens. Among the artists appearing over the next three weeks are the Mark Morris and Pina Bausch dance companies and the Russian National Orchestra. In the theatre programme there are new productions by Robert Wilson. Edinburgh also plays host to the Fringe – with more than 9,000 performers in 14,000 productions – a film festival and a television festival.

Mugabe marks Heroes' day

Robert Mugabe, the president of Zimbabwe, marks Heroes' day with his customary address. Surrounded by giant bronze statues and panels, Mr Mugabe has previously used the occasion to launch attacks on whoever is unpopular with the ruling party. Last year he denounced homosexuals as "lower than dogs and pigs" and is expected to return to the issue following a ban on gay-rights organisations last month.

Athletics

Bupa international meeting, Sheffield, England.

Motor racing

Hungarian grand prix, Budapest.

Public holiday

Zimbabwe.

Compiled by Nick Mayhew-Smith. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK factory output is thought to have risen in June, having stagnated during May as companies shed stocks of unsold goods. Inflation in Italy is thought to have edged down a little last month.

Tuesday: Unemployment in western Germany is forecast to have risen a little faster last month than it did in June. Growth in Canadian labour income is believed to have slowed in May.

Wednesday: Annual growth in US consumer credit is expected to have decelerated in June, with credit card use remaining under downward pressure. Retail sales growth in the Netherlands is thought to have slowed in June.

Thursday: The board of the Swedish Riksbank meets. The unemployment rate in Australia is thought to have risen last month, with the same true of Denmark in June. Mexico's trade surplus should meanwhile have risen in June.

Friday: US producer price inflation is forecast to have continued accelerating in July. Unemployment is thought to have been stable in Switzerland.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Jun industrial production*	0.1%	0.8%
Aug 1	UK	Jun industrial production**	1.8%	1.3%
	UK	Jun manufacturing output*	0.3%	0.0%
	UK	Jun manufacturing output**	0.1%	0.0%
	UK	Jul M0*	0.6%	0.9%
	UK	Jul M0**	7.0%	7.3%
	US	Jun leading indicators	0.39%	0.3%
	US	June home completions	1.36m	1.37m
Tues	Germany	Jul unemployment (West)†	4.5k	7k
Aug 6	Germany	Jul unemployment (East)†	-1k	-3k
	Germany	Jul unemployment (pan Ger)†	6k	3k
	Germany	May employment (West)†	8k	12k
	Germany	Jul vacancies (West)†		3k
	Germany	Jul short time (West) not†		-8k
Wed	Denmark	May trade balance ex-shipments not†	Dkr2.3bn	Dkr1.9bn
Aug 7	Denmark	May current account	Dkr-0.5bn	Dkr1.0bn
	US	Jun wholesale trade		unch
	US	Jun consumer credit	$6.0bn	$4.7bn
	Japan	Jun current account IMF not†	Y695bn	Y902bn
	Japan	Jun trade balance IMF not†		Y1,155bn
	Japan	June foreign bond investment		Y971bn
Thurs	Denmark	Jun unemployment	8.9%	8.8%
Aug 9	US	M1 week ended July 29	$6.0bn	$5.4bn
	US	M2 week ended July 29	$8.5bn	$6.7bn
	US	M3 week ended July 29	$7.5bn	$7.0bn

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	Japan	Jul overall wholesale price index*	0.1%	0.0%
Aug 9	Japan	Jul overall wholesale price index**	1.3%	1.4%
	Japan	Jul domestic wholesale price index**		-1.0%
	Japan	Jul machinery orders ex elect & ships*	10.8%	18.9%
	Japan	Jul machinery orders ex elect & ships*	-2.7%	-5.2%
	Switz	Jul unemployment rate	4.4%	4.4%
	Canada	Jul employment †*		-0.4%
	Canada	Jul unemployment rate		10.0%
	US	Jul producer price index	0.2%	0.2%
	US	Jul prod price ind ex food and energy	0.2%	0.2%
	Canada	Jul housing starts, units		134k
	US	Jul bank credit		1.8%
	US	Jul C and I loans		4.4%
During the week...				
	Germany	Jun retail sales*	-1.0%	-3.0%
	Germany	Jun retail sales*†	0.0%	-1.0%
	Germany	Jun manufacturing orders (pan Ger)*	-0.3%	-0.7%R
	Spain	Jul registered unemployment		14.2%
	Germany	Jul final cost of living (West)*		0.1%
	Germany	Jul final cost of living (West)**		1.2%
	Germany	Jul final cost of living (pan Ger)*	0.4%	0.1%
	Germany	Jul final cost of living (pan Ger)**	1.6%	1.4%
	Germany	May trade balance	DM8.5bn	DM8.2bn
	Germany	May current account	DM-1.1bn	DM-0.9bn

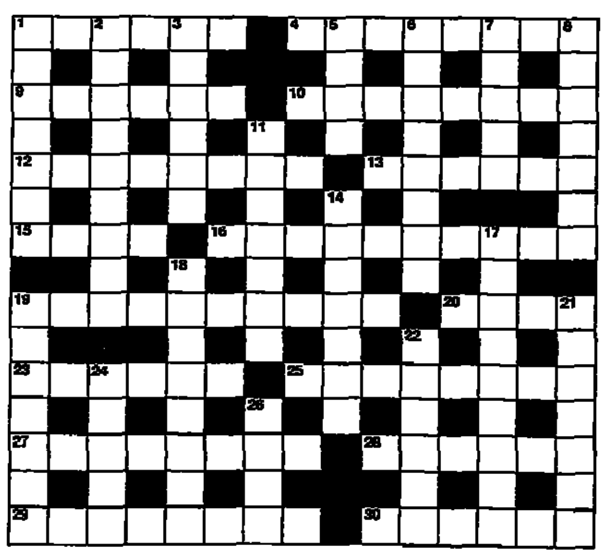
*month on month, **year on year † seasonally adjusted. Statistics, courtesy MMS International.

ACROSS

1 Stock controller's pen (6)
4 Scope for capital growth (8)
9 Change colour? (6)
10 Old soldiers scared to get involved (8)
12 Nevertheless, netting first and last service (8)
13 Information a girl found in Switzerland (6)
15 Wrestling with a problem, love? (4)
16 The greatest amount of pride? (5,5)
19 Work on site can cause obstruction (10)
20 Slight damage to essential part of computer (4)
23 One's doctor gives one two notes to take in (6)
25 Main line terminals? (8)
27 Music of the Depression? (3,5)
28 Rob irregular corporal of horse (6)
29 Intend to go into action despite loss of rank (8)
30 Contact these to see touching spectacles (6)

DOWN

1 Lettuce goes down for pets (7)
2 Did it show the way to Mafeking? (6,3)
3 Unwilling to make up a piece of poetry (6)
5 It's still a female name (4)
6 Press for a reduction? (8)
7 Love to have a tea break about five. Like an egg? (5)
8 It involves a rubber as games need revising (7)
11 Comes into service? (7)
14 Gives voice and breaks the tension (7)
17 The followers stand here when assembled (9)
18 She is a beautiful Italian (8)
19 Possibly time to take a large number left out (7)
21 Dawn's arms (7)
22 Rare tiffs with a sweetheart (6)
24 Variety of amber or yellowish fish (6)
26 Nothing more than two notes (4)



MONDAY PRIZE CROSSWORD

No.9,138 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 15, marked Monday Crossword 9,138 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 19. Please allow 28 days for delivery of prizes.

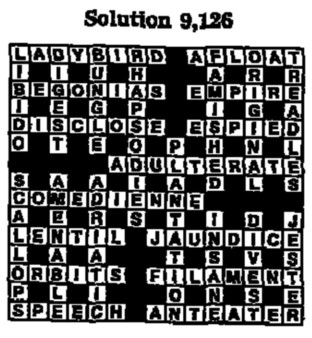
Name...............................

Address...............................

Winners 9,126

Dr M. Sleightholm, Otley, West Yorkshire
V. McNamara, Southport, Lancashire
S.E. Mundell, Newton Aycliffe, Co Durham
Sarah Mussard, Swindon, Wiltshire
G. Sutherland, Edinburgh
R. Wilson, Croston, Lancashire

Solution 9,126



JOTTER PAD